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*Mr. McLaughlin*

# ROYAL COMMISSION

ON

# TRANSPORTATION

## HEARINGS

HELD AT

OTTAWA

VOLUME No.:

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ROYAL COMMISSION ON TRANSPORTATION

Proceedings of hearings held in  
the Court Room, Board of Transport  
Commissioners Offices, Ottawa,  
Ontario, on the 24th day of March,  
1960.

COMMISSION

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Mr. F. W. Anderson	Secretary
Major N. Lafrance	Assistant Secretary







Ottawa, Ontario,  
March 24, 1960.

---On commencing at 10.00 a.m.

THE CHAIRMAN: Order, please, gentlemen.

MR. ALLEY: Mr. Chairman, before we start this morning, I think perhaps I should make one correction in the record of yesterday. At page 9406 it appears that I said:

"...unfortunately no member of the Ontario Manufacturers Association ..."

That, of course, should read:

"Interior Lumber Manufacturers Association."  
I think that should be corrected.

At the commencement of my cross-examination of Mr. Halliday there was a remark attributed to me which was made by my friend Mr. Sinclair. While this could be correct I think he should have the credit for it. He uses the words "very similar" at line 11 on 9366. That was Mr. Sinclair and not myself.

MR. SINCLAIR: That can hardly be right because the statement says,

"No, I represent the province of British Columbia."

MR. ALLEY: That is correct, but the words "very similar" were yours.

THE CHAIRMAN: Now, the question comes up as to our program and we are going to discuss this this afternoon as to whether the brief for tomorrow morning can be put over until Monday. If we can get Mr. Kidd to come here on Tuesday and have the Traffic League and the Manufacturers on Tuesday as well, I do not think we will have any difficulty in cleaning up the three in one day and then







1  
2 we can finish on Tuesday. If that is not possible we can  
3 go to Wednesday morning. Would that be agreeable?

4 MR. SINCLAIR: Certainly to me, sir. I do not  
5 know about my friends who are from further away.

6 MR. ALLEY: To be perfectly frank, Mr. Chairman,  
7 I intended to withdraw this morning as soon as the opening  
8 session was over. We do not see any need to remain.

9 MR. HUME: It does not matter to me, sir, what-  
10 ever arrangements are made because I am so close it is  
11 reasonably easy to get here.

12 MR. DOHERTY: My instructions are to stay  
13 until the last brief is heard and as I understand it the  
14 last brief is set down for Tuesday. It will not make too  
15 much difference in my case.

16 THE CHAIRMAN: Thank you. We will now have the  
17 Canadian Granite Industries Association.  
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SUBMISSION OF  
CANADIAN GRANITE INDUSTRIES ASSOCIATION

Appearances:

Mr. Michael Awada.  
Mr. C. Sperling.  
Mr. G. Sperling  
Mr. J. M. Thompson

---

MR. AWADA: Mr. Chairman, I should like to request at the outset the correction of two additional typographical errors which appear in our brief. On page 2, No. 2, Order No. 71323, September 24 should read 1949 instead of 1959.

On No. 4, the same page, order No. 74512, May 25 should read May 25, 1949, instead of 1959.

On page 14 the last line, the fifth word should be spelled "reasonably".

Mr. Chairman, approximately 90 to 95 per cent of the quarrying and manufacturing capacity of the Canadian granite industry in Canada is located in eastern Canada mainly because the area is rich in granite deposits of a wide variety of colour and texture.

The granite industry is dependent on two major users, namely the building industry and the monumental trades.. The most important use for granite as far as the quantity of material consumed annually is concerned, is in the construction industry, therefore, most of our remarks will be confined to building granite.

Due to the rapid development of the western provinces during the past ten or fifteen years, between







1  
2 40 to 50 per cent of the potential market area for  
3 granite has shifted to western Canada where until only  
4 a few years ago competition from American plants was  
5 virtually unknown. Mr. Chairman, we submit that the  
6 ever increasing freight costs since 1948 for the long  
7 haul from eastern Canada to the west has encouraged the  
8 American granite industry, especially the one located in  
9 Minnesota, to establish a foothold in western Canada by  
10 literally dumping their products on the Canadian market.  
11 We submit and we will prove that contracts in the west  
12 are rapidly being lost to our American competitors. In  
13 an attempt to retain this western market our industry  
14 is selling f.o.b. our plants at prices which were preval-  
15 ent ten years ago, in some cases for less, and this we  
16 will establish by proof, despite the enormous increase in  
17 costs of labour and supplies used in the manufacture of  
18 the finished product.

19 Since 1948 this industry has been subject to  
20 the increases in freight rates which are listed in the  
21 brief.

22 1. Order #70425, March 30th, 1948: an increase  
23 of 21 per cent.

24 2. Order #71323, September 24th, 1959: an  
25 increase of 8 per cent.

26 3. Order #74034, March 1st, 1950: a further  
27 increase changing the 8 per cent interim granted in 1949  
28 to 16 per cent.

29 4. Order #74512, May 25th, 1959: a further  
30 increase changing the 16 per cent granted on March 1st,  
1950, to 20 per cent.







1  
2 5. Order #76886, July 4th, 1951: an increase  
3 of 12 per cent interim.

4 6. Order #781764, January 25th, 1952: a  
5 further increase changing the 12 per cent interim granted  
6 in 1951 to 17 per cent.

7 7. Order #80462, December 20th, 1952: an  
8 increase of 9 per cent.

9 8. Order #80965, March 6th, 1953: an increase  
10 of 7 per cent.

11 9. Order #89030, June 18th, 1956: an increase  
12 of 7 per cent interim.

13 10. Order #90447, December 17th, 1956: a  
14 further increase changing the 7 per cent interim granted  
15 on June 18th, 1956, to 11 per cent.

16 11. Fall of 1957: a 3.6 per cent increase was  
17 appealed to the Governor-in-Council and thereafter re-  
18 placed by an increase of 11 per cent.

19 12. Order #96300, November 17, 1958: an  
20 increase of 17 per cent.

21 The total as appears in our brief is 157.3  
22 but in actual fact we submit that the increase in dollars  
23 for the industry has been 185.6. If we base ourselves  
24 on freight rates existing in 1948, the total as appears  
25 in our brief is calculated as compared to the rates  
26 existing in 1948, but if we combine the increase since  
27 1948, the effective increase in dollars and cents is  
28 185.6 per cent.

29 MR. SINCLAIR: Perhaps Mr. Awada would tell us  
30 how he makes that calculation?

MR. AWADA: At this stage or upon cross-  
examination?







1  
2 MR. SINCLAIR: No, at some time.

3 MR. AWADA: Yes. Now, as far as the Canadian  
4 experience with freight rates is concerned, we have  
5 listed in the body of our brief a brief summary of the  
6 attitude of the Board of Transport Commissioners since  
7 1918.  
8  
9  
10

11 (Page 9419 follows)  
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1 THE CHAIRMAN: Of course, you understand,  
2 Mr. Awada, that we are not on appeal from the Board of  
3 Transport, and we have, under the terms of reference,  
4 been precluded from dealing with rates as such; we  
5 cannot deal with rates. However, we will be glad to  
6 hear what you have to say.

7 MR. AWADA: Thank you very much, Mr. Chairman.  
8 In 1948 the Board of Transport Commissioners, while  
9 considering the 21% Increase that was requested by the  
10 railways at that time, dealt almost exclusively with  
11 the revenue requirements of the railways and permitted a  
12 straight horizontal increase with the exception of  
13 certain commodities, such as coal, coke and grain pro-  
14 ducts.

15  
16 At this hearing strong exception was taken  
17 by the respondents to the granting of a straight hori-  
18 zontal increase, but the Board felt -- and I quote --

19 "This is the only workable and practical method  
20 of dealing with the question in order to provide  
21 the additional revenue required by the railways."  
22 A number of submissions were made to the Board at that  
23 time that if increased rates were authorized there  
24 should be a varying percentage of increase, the lowest  
25 percentage of increase being made on long hauls and the  
26 highest percentage being made on short hauls.

27 However, in 1948 the Board felt that it was  
28 too difficult a task to adopt a varying or a maximum  
29 increase, and we submit, Mr. Chairman, that they resorted  
30 to the easy way out -- namely, granting a straight







1 horizontal increase, and this, Mr. Chairman, in spite  
2 of the practice which had been adopted constantly by  
3 the Interstate Commerce Commission of the United States  
4 of America.

5 Back in 1918, when the freight rates were in-  
6 creased by 15 and 25 per cent, the Board of Transport  
7 Commissioners realized the very unhealthy results that  
8 might occur if a straight horizontal percentage increase  
9 was allowed. In 1916 the Board dealt with individual  
10 items in the tariff and said:

11 "Some articles may reasonably stand a  
12 greater lift in the schedules than others, on  
13 the one hand, and advances asked for in some  
14 items may be deemed too great or even inad-  
15 missible. Each item on the application  
16 must therefore be considered on its merits."

17 In 1916, in 1918 and in 1920 the Board granted  
18 substantial exceptions to the general increase, and they  
19 considered numerous items in the tariff, and when they  
20 found that an item could not stand a horizontal lift  
21 they granted substantial exceptions.

22 In 1948, Mr. Chairman, for the first time the  
23 Board departed from the practice which it had heretofore  
24 adopted, and granted a straight horizontal increase.  
25 I do not venture to offer a reason as to why the Board  
26 did this, but it would appear to me that the Board of  
27 Transport Commissioners had been inactive since 1922.  
28 I have examined the decisions of the Board, and I noticed  
29 that between 1922 and 1948 the Board rendered no decision.  
30







1 Rates were frozen for a period of some twenty-five or  
2 twenty-eight years; whereas, in the United States, the  
3 Interstate Commerce Commission had been active con-  
4 tinuously. I do not think that a ten-year period has  
5 ever elapsed in the United States where the Interstate  
6 Commerce Commission has not rendered a decision on  
7 general freight rate increases or decreases.

8 We submit, Mr. Chairman, that since 1948 the  
9 Board of Transport Commissioners seems to have treated  
10 all the applications purely from a revenue point of view  
11 without considering the ability of different commodities  
12 to bear the increases, and the eventual disastrous  
13 results which may be inflicted on some of Canada's old  
14 established industries.

15 We submit that percentage changes disrupt  
16 relationships and disturb business. The long haul  
17 shipper suffers, and the advantage of a short haul  
18 shipper is increased whenever increases are based on  
19 percentages.

20 Mr. Chairman, on pages 4, 5, 6 and 7 I have  
21 in a brief way examined the decisions and the practice of  
22 the Interstate Commerce Commission in dealing with general  
23 freight increases. In a nutshell, Mr. Chairman, the  
24 Interstate Commerce Commission has always found it unjust  
25 and unreasonable to impose upon certain recognized groups  
26 of commodities -- namely, products of agriculture, forest  
27 and products of mines -- the same full basis of increase  
28 in rates as upon remaining commodities, and, accordingly,  
29 it has always sought to apply a lesser amount of increase  
30







1 on these commodities.

2 I should like to quote for the record a  
3 paragraph from the 1947 Decision of the Interstate  
4 Commerce Commission, and I should like to compare it with  
5 the attitude of our Board of Transport Commissioners in  
6 dealing with general freight rate increases. In 1947  
7 the Interstate Commerce Commission said this:  
8

9 "The outlook of the Commission and its  
10 powers must be greater than the interest of the  
11 railways or that which may affect those inter-  
12 ests. It must be as comprehensive as the  
13 interest of the whole country. Rates have not  
14 been perfect but they have had a common purpose  
15 to accommodate the needs of commerce which  
16 possess an ever-present tendency to grow in  
17 volume and in the variety of commodities which  
18 compose it and to expand the radius of its dis-  
19 tribution. Shippers have constantly manifested  
20 a desire to reach out farther and farther into  
21 distant markets.

22 "Rail rates, the backbone of all trans-  
23 portation rates, are geared into the economic  
24 life of every section of the country . . .  
25 Many producers, traders and consumers are  
26 wholly or mainly dependent on rail trans-  
27 portation. Rate adjustments in these cir-  
28 cumstances must be worked out primarily in terms  
29 of rail transportation. Rail rate structures  
30 are a matter of delicate balance . . . It is







1 impossible, as a matter of law or of economic  
2 policy, completely to disregard the way in which  
3 these rate structures have been developed and  
4 the purposes they serve . . . The problem cannot  
5 be approached with the interests of only one  
6 class of the community in view . . .

7 "As in all general rate increase proceed-  
8 ings, there has been acute disagreement between  
9 long haul shippers and those who are close to  
10 their markets . . . The application of a  
11 percentage increase to both long and short  
12 haul competing shipments results in widening  
13 the amount of the difference between the  
14 rates, often to such an extent as to exclude  
15 the long haul shipper from the common market  
16 or compel him to reduce his prices so that he  
17 has no profit.

18 "In resolving this conflict, both the  
19 carriers and the regulatory commission must  
20 have regard to the effect of the manner of  
21 increase upon the movement of traffic . . .

22 "There are also other situations where  
23 the allowance of any increases of substantial  
24 size must disturb pre-existing relations  
25 beyond the possibility of remedial correction  
26 so as to maintain the former competitive  
27 status."

28  
29 It might be stated here that in this decision of  
30 December 1947, the ICC instructed the petitioners to:







1 "proceed by voluntary discussion and  
2 cooperation with the shippers and repre-  
3 sentatives of markets to devise and endeavour  
4 to put into effect such measures as will  
5 restore former competitive relations as  
6 completely as possible . . ."

7 I should like to point out that the decisions  
8 of the Interstate Commerce Commission are dealt with  
9 by us in this brief not only because some of them have  
10 been cited at hearings and in arguments at the hearings  
11 of the Board, but because they illustrate the similarity  
12 of the problems confronting transportation both here  
13 and in the United States of America.

14 In 1946, Mr. Chairman, there appeared this  
15 paragraph in a decision of the Commission:  
16

17 "There are here involved all the freight  
18 rates and charges, and all the passenger  
19 fares of the railroads and many other  
20 carriers of the nation, large and small.  
21 What we do will directly affect production  
22 and distribution in the industries of  
23 the nation, and the welfare of its various  
24 regions, as well as the transportation  
25 industry. It will have its effect upon  
26 the forces tending to economic stabiliza-  
27 tion or the reverse . . . No case has ever  
28 received from us more earnest study."

29 At the hearing of this honourable Commission  
30 in Montreal, Mr. Mann asked me to inquire into the method







1 adopted by the Interstate Commerce Commission in dealing  
2 with increases on granite. Mr. Chairman, I have done  
3 this, and in order to bring my investigations up to date  
4 I took it upon myself yesterday to place a long distance  
5 telephone call to Mr. Robert Newel, who is the assistant  
6 director, Bureau of Traffic, Interstate Commerce Com-  
7 mission, Washington, D. C. I did this, Mr. Chairman,  
8 because I had had considerable difficulty in locating  
9 the last two decisions of the Interstate Commerce  
10 Commission. No library in the City of Montreal has  
11 them, and I had considerable difficulty locating the  
12 decisions in the Supreme Court Library. I have  
13 three books which were just brought to me, and I am not  
14 quite sure whether the Decision I am quoting from  
15 appears in these three books. In any case, this is  
16 what Mr. Newel told me over the telephone, and it  
17 confirms the present attitude of the Commission inasmuch  
18 as they deal with increased freight rates on commodities  
19 in the same manner as they have done in 1946 and 1947.

21 Mr. Newel advised me that in the 1956  
22 Decision of the Interstate Commerce Commission, the  
23 Commission, itself, admonished the railways severely  
24 for seeking applications with the horizontal increase  
25 method. Here is a quotation I took over the telephone:

26 "We have heretofore suggested that the  
27 time has probably come when consideration  
28 should be given to ways of increasing rates  
29 other than by means of horizontal increases.  
30 The carriers should give consideration to this





1 suggestion."

2 Mr. Chairman, in this Decision the Commission  
3 flatly refused to grant any increase on commodities  
4 that were subject to intense competition.  
5

6 As far as granite is concerned, the Commission  
7 granted a two cents' increase per one hundred pounds.  
8 In the United States of America the granite industry  
9 has been subjected to approximately a 48 decimal point  
10 something per cent increase since 1948. In this  
11 country we have been subjected to an effective increase  
12 of 186 per cent on all our products.

13 Our Board of Transport Commissioners has  
14 always been occupied, or, at least since 1948 -- and  
15 we must bear in mind here that the Board had been  
16 relatively inactive for some twenty-six or twenty-eight  
17 years -- has been occupied with this necessity of pro-  
18 viding the railways with sufficient revenue to pay the  
19 proper expenses of maintenance of way and equipment,  
20 traffic, transportation, general expenses, etc., and  
21 only secondarily with the effect of increases on  
22 production and distribution in the industries of the  
23 nation.

24 I took this quotation from one of their De-  
25 cisions:

26 "It should hardly be necessary to  
27 say that it is equally the duty of this Board  
28 to protect the capital actually put into a  
29 railway by its shareholders, as it is to pro-  
30 tect the public against unjust charges by those







1           who operate the railway for the shareholders.

2           If it were shown that the tolls heretofore  
3           in existence upon this line of railway only  
4           produced sufficient revenue to pay the  
5           proper expenses of maintenance of way and  
6           equipment, traffic, transportation, general  
7           expenses, and fixed charges, and a fair  
8           dividend to the stockholders upon the money  
9           actually put into the road, I should refuse  
10          to be a party to reduction of tolls, even if  
11          they were the highest in the world."

12                        "No controlling commission has the  
13                        right to make an order that would have the  
14                        effect of destroying the earning power of  
15                        the capital that honestly went into the  
16                        utility -- the capital invested should be  
17                        permitted to earn fair and reasonable divi-  
18                        dends."

19                        This, Mr. Chairman, compares the attitude of  
20                        our Board to the attitude of the Interstate Commerce  
21                        Commission in the United States.

22                        The Interstate Commerce Act, Mr. Chairman,  
23                        Section 15A, with your permission, I would like to read  
24                        into the record:

25                        "In the exercise of its power to  
26                        prescribe just and reasonable rates the  
27                        Commission shall give due consideration,  
28                        among other factors, to the effect of rates  
29                        on the movement of traffic; to the need, in the  
30







1 public interest, of adequate and efficient  
2 railway transportation service at the lowest  
3 cost consistent with the furnishing of such  
4 service; and to the need of revenues sufficient  
5 to enable the carriers, under honest, economical  
6 and efficient management, to provide such  
7 service."

8  
9 Now, as concerns the granite industry directly,  
10 by the application of these horizontal increases since  
11 1948 the burden on a Quebec plant compared with a  
12 Minnesota plant is much greater in terms of dollars than  
13 it was formerly. American manufacturers in Minnesota  
14 can deliver by truck directly from their place of  
15 production to the building sites, and there they gain  
16 an additional advantage over us, since the eastern  
17 Canadian producers can only deliver f.o.b. railway cars'  
18 destination. To illustrate: a truck haul from the  
19 centre of the Minnesota granite industry -- St. Cloud,  
20 Minnesota -- to Winnipeg is 380 miles. A rail haul  
21 from the Eastern Townships of Quebec to the Winnipeg  
22 rail siding -- not the building site -- is 1500 miles.  
23 A truck haul from St. Cloud to the Regina building  
24 site is approximately 625 miles. The rail haul from  
25 the Eastern Townships of Quebec to the Regina rail  
26 siding is approximately 1770 miles. In addition,  
27 this industry has to bear the cost of truck transport  
28 from rail siding to building site, involving additional  
29 and substantial costs for crane facilities at these  
30 rail sidings.

(Page 9435 follows)





1  
2 To these hauls must be added in many instances the trans-  
3 port of raw material from the granite quarry to the pro-  
4 cessing plant. Some of these distances are listed on  
5 pages 9 and 10. For instance, practically all the blue  
6 granite quarried at Mt. Johnson is hauled to plants in  
7 Beebe and Stanhope, approximately 100 miles. Black  
8 granite quarried in Lake St. John county is hauled  
9 approximately 325 miles. Pink granite quarried in the  
10 county of Labelle is hauled 175 miles; and red granite  
11 from the county of Dryden, Ontario, has to be hauled  
about 1,300 miles.

12 On the Pacific coast, where our competition  
13 is mainly from European manufacturers, the situation is  
14 briefly as follows. The ocean rate for building granite  
15 from European ports to Vancouver is approximately \$35.00  
16 per ton. This compares with railway freight rates from  
17 Montreal to Vancouver, at minimum carloads of 30 tons,  
18 of \$65.00 to \$72.00 per ton. I believe that at the hearing  
19 of the Commission in Montreal I stated that several years  
20 ago one of the members of this association made a request  
21 to the railways for a reduction of rates. This request  
22 was refused. The director of the company will testify  
23 as to the facts of this incident. Then the company resor-  
24 ted to using boat transport from Montreal to Vancouver  
25 at a cost of approximately \$30.00 per ton, whereupon the  
26 railways, on hearing this, approached this same company  
27 and granted without request a decrease from approximately  
28 \$70.00 a ton to \$42.00 per ton.

29 Mr. Chairman, the burden of freight increases  
30 since 1948 is further aggravated by the present structure







1  
2 for minimum carloads. One of the witnesses will testify  
3 as to how this material, which at one time, when the  
4 tariffs for minimum carloads were established, was used  
5 as a structural member for buildings. This product is  
6 no longer used as a load-bearing material in thicknesses  
7 or six inches or more. The requirements of the building  
8 industry have been reduced proportionately as methods of  
9 building, engineering and architecture have changed.

10 Mr. Chairman, at this stage I would like to  
11 make a few remarks on the future of Canada's railways,  
12 or at least insofar as it concerns the granite industry.

13 One of the most important factors, we submit,  
14 is the fact that truck competition has made it increasing-  
15 ly difficult during the past quarter century for the  
16 railways to maintain their positions as carriers. I  
17 believe that a table which appears in the report of the  
18 Royal Commission on Canada's Economic Prospects outlines  
19 how the railways have been getting a decreasing percentage  
20 of the total transportation volume in Canada. The Royal  
21 Commission on Canada's Economic Prospects dealt with  
22 transportation, and at page 270 --

23 THE CHAIRMAN: The interim or final report?

24 MR. AWADA: The final report, Mr. Chairman.  
25 There is a table which appears on page 270. The striking  
26 features of the table, of course, are the sharp decline  
27 in the position of total inter-city freight carried by  
28 the railways and the very rapid rise of highway and  
29 pipeline transportation, particularly since 1945. That  
30 somehow corresponds in a way with the change of attitude  
on the part of the Board. We submit, Mr. Chairman, that







1  
2 truck competition in central Canada has grown to such  
3 proportions as to eat into the railways' revenues by  
4 capturing very large proportions of the traffic. In  
5 addition to this decline in the railways' share of the  
6 transportation market, there is no doubt that the rail-  
7 ways have undergone loss of income because of the fixed  
8 statutory and regulatory restrictions imposed upon them.  
9 For instance, the Statutory Crow's Nest Pass rates -- I  
10 will not say too much on them, because I believe that  
11 subject has been thoroughly exhausted before this  
12 Commission -- and the related rates on grain constitute  
13 approximately 30 per cent of the railways' volume of  
14 traffic, but less than 10 per cent of their revenue. I  
15 have been unable to attend all the hearings of the  
16 Commission but I have read all the newspaper reports,  
17 and the testimony on grain rates before the Royal Com-  
18 mission, as appears from a report in the Montreal "Star"  
19 on Wednesday, 9th of December, under the heading "Both  
20 Sides Develop Cases on Grain Rates":

21 "Bit by bit, the railways and the west are building  
22 their respective cases on the controversial grain  
23 rate problem.

24 "The railways have produced the kind of solution they  
25 want to offset heavy losses they claim are incurred  
26 in hauling prairie export grain at pre-1900 rates.

27 "They told Canada's first royal commission on trans-  
28 portation in ten years --"

29 I may say, the sixth since 1917, I believe --

30 "...that they want the federal government to pick up  
the tab on the losses -- calculated at \$65,300,000 a  
year."





1  
2 The following day I read that the counsel for  
3 the C. P. R. and the Canadian National Railways had  
4 miscalculated and that it should read \$70 million, and  
5 then on the day after I read another report that this  
6 was a miscalculation --

7 MR. COOPER: Perhaps all this is already in  
8 the transcript as evidence, and I do not think we should  
9 become confused with newspaper reports as against the  
10 evidence we already have in the transcript.

11 THE CHAIRMAN: I think that is right.

12 MR. AWADA: Very well, I will confine myself  
13 to evidence on the loss, which I take to be \$65 million  
14 or something in that vicinity. This bears a direct  
15 relationship -- as I have to say a moment later -- to  
16 a request by the non-operating unions for increases..  
17 I just want to tie the figures down. The non-operating  
18 unions are demanding increases in the vicinity of  
19 \$70 million or \$60 million, something in that vicinity,  
20 which almost directly corresponds with the amount which  
21 the railways claim is being lost owing to the transport-  
22 ation of grain rates at pre-1900 levels.

23 Another item which is not listed in the brief  
24 but I will mention en passant is this. Another factor  
25 which has contributed to loss of income is the reluctance  
26 of the Board in allowing the abandonment of unprofitable  
27 branch lines and services. This has happened time and  
28 time again. In the United States, on the other hand,  
29 approximately 15,000 miles of railway were abandoned  
30 between 1921 and 1948 because of truck competition. In  
Canada line and service abandonments by railways have not







1  
2 been looked upon with favour by the Board. We submit  
3 that it is precisely these burdens on the railways which  
4 force them to try to recover their overhead costs from a  
5 comparatively small proportion of the total traffic.  
6 The railways have on many occasions said that some  
7 80 per cent to 85 per cent of their overhead comes from  
8 this class of traffic, and we regret to say that the  
9 products of the Canadian granite industry fall into this  
10 proportion of total railway traffic from which the rail-  
11 ways are forced to recoup their overhead. This is  
12 illustrated by this incident which happened several  
13 years ago where the railways of their own accord reduced  
14 from \$72.00 per ton to \$47.00 per ton --

15 COMMISSIONER GOBEIL: \$42.00.

16 MR. AWADA: \$42.00 -- I beg your pardon. The  
17 irony of it all is that it is just this portion of the  
18 traffic which is most susceptible to competition. If  
19 rates are pushed too high, as they have been, business  
20 will be diverted, and it is being diverted, to competing  
21 forms of transportation, leaving the railways in an  
22 even worse position than they were before.

23 The authorized freight rate increases of 180  
24 some odd per cent since 1948 have not resulted in a  
25 return of a comparable amount of additional revenue to  
26 the railways. We understand that the railways are  
27 business ventures which cannot be compelled to operate  
28 on a non-profit basis. For this reason they have been  
29 compelled to raise the rates or at least to apply for  
30 increases on rates almost year by year since the war  
to meet rising internal costs.







1  
2 The practice of increasing freight rates in the hope  
3 that this might return a comparable amount of addit-  
4 tional revenue to the railways has not worked out,  
5 because there are very few commodities which can now be  
6 said to be suited to one form of transportation only.  
7 Probable future improvements in the trucking industry,  
8 in the aircraft industry and in pipeline services are  
9 likely to intensify competition still further.

10 It appears to this industry that the federal  
11 government and the Board of Transport Commissioners may  
12 have been working in different directions. The government  
13 of this country has felt it necessary to provide transpor-  
14 tation at certain rates to producer interests such as  
15 in the maritimes and with regard to grain. But in doing  
16 this, we submit, the government should openly reimburse,  
17 either by way of subsidy or by way of remission of taxes  
18 on corporate profit, which in my opinion is the better  
19 method, rather than by imposing uneconomic rates which  
20 have to be recouped as best they can -- even at  
21 the cost of substantial misallocations of the country's  
22 transportation and other resources.

23 We submit, Mr. Chairman, that the decisions  
24 of the Board during recent years point to a somewhat  
25 negative attitude in dealing with the geographic and  
26 economic conditions and also in long and short haul  
27 discrimination. In all fairness to the Board, while  
28 seeming to recognize that the method of increases by the  
29 horizontal increase method might not be just and reason-  
30 able, it has stated that it was unable to depart from it  
because of lack of reliable statistics with which to





1  
2 devise a different scale of increases. The Board has not  
3 itself obtained and, to the best of my recollection  
4 from the readings that I have made, it has never com-  
5 pelled the railways, as the Interstate Commerce Commission  
6 has, to file with it, the proper statistics concerning  
7 traffic movements so as to enable it to determine which  
8 articles could bear greater or lesser increases in  
9 costs.  
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(page 9446 follows)







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2 This appears to indicate, Mr. Chairman, that  
3 the setup of the I. C. C. should be studied by the govern-  
4 ment of Canada in order to draw upon the experience of this  
5 body instead of rendering decisions awarding horizontal  
6 increases because of lack of reliable statistics.

7 As for our conclusions, Mr. Chairman, it is  
8 with the above considerations in mind that we respectfully  
9 request this Royal Commission to recommend to the govern-  
ment as follows:

10 1. That a more unified approach be taken by  
11 the federal government in dealing with the railways by  
12 reimbursing the railways where the federal government  
13 feels it necessary to provide transportation at reduced  
14 rates to certain regions and producer interests, thus  
15 making it unnecessary for the railways to recoup their  
16 losses from a comparatively small proportion of their  
17 total traffic. The railways can no longer afford to  
18 grant internal subsidy to traffic that does not meet  
19 its long run out of pocket costs, because their high  
20 rated traffic, an example of which is granite, out  
21 of which the subsidies are paid, are now so vulnerable  
to competition.

22 2. That uniform horizontal increases have  
23 aggravated the disadvantage already suffered by long  
24 haul shippers in this industry. It is respectfully  
25 submitted, therefore, that the products of the granite  
26 industry be exempted from future straight horizontal  
27 percentage increases. In presenting their applications  
28 for increases, the railways should be required to pay  
29 special attention to long haul traffic. The emergence  
30







1  
2 of new statistical procedures should enable the railways  
3 to do this. It is further submitted that it should be  
4 the responsibility of the Board of Transport Commission-  
5 ers to compel the railways to file with it proper stat-  
6 istics concerning traffic movements so as to enable  
7 the Board to determine which articles could bear greater  
8 or lesser increases in rates.

9 3. That so-called "import rail rates" for  
10 foreign granite products; i.e., preferential rates for  
11 overseas goods arriving at ocean ports for inland des-  
12 tinations, be abolished.

13 4. That artificial granite or artificial  
14 stone and imitation granite or stone used in building  
15 construction are carried at least at the same rate as  
16 the natural product and not at a lower rate.

17 5. That the minimum weight for carloads  
18 from Quebec points to western Canada be reduced from  
19 60,000 pounds to 36,000 pounds without increasing the  
20 rates.

21 6. That rough granite blocks hauled from a  
22 quarry to a manufacturing plant should be carried at  
23 a lower rate than sawn or hammered slabs or pieces (the  
24 two categories are presently lumped in one item).

25 7. That the rate for polished stones less than  
26 two inches in thickness under the tariff for shipments  
27 from Quebec points to western Canada be dropped and that  
28 all polished shipments be carried at the lowest rate for  
29 polished granite.

30 THE CHAIRMAN: Thank you, Mr. Awada. Perhaps  
we could have a break now of five minutes and then you





1  
2 may call your witness.

3 ---Short recess.

4  
5 THE CHAIRMAN: Order, please, gentlemen. I  
6 think before we proceed I should say that now we have  
7 the brief of the Canadian Horticultural Council and it shows  
8 how it will be impossible to reasonably meet tomorrow  
9 just to hear this brief. Mr. Lafrance has been in touch  
10 with Mr. Kidd and he is coming on Monday and consequently  
11 there will be no sitting of the Commission tomorrow.

12 There is some question as to whether or not the  
13 mayor of Riviere du Loup may be here as well. Mr. Awada?

14 MR. AWADA: Mr. Chairman, I would like to present  
15 the first witness on behalf of our brief, Mr. C. Sperling,  
16 president of Scotstown Granite Company Limited.  
17 Mr. Sperling would like to make a few remarks to amplify  
18 some of the remarks which I made in my brief earlier.

19 MR. SPERLING: Mr. Chairman, I hope everyone  
20 will understand my bad English, I will try my best to make  
21 myself understood. We are a rural industry in Canada  
22 to be compared with farmers who till the soil and we do  
23 not think tilling the soil that it is necessary to have  
24 others to look after our interests. This association  
25 was only created a year ago when these farmers - I call  
26 them farmers - were on the brink of collapse. It is  
27 very hard now to make good for the wrongs in the past.  
28 Our industry now sells their products at the same price  
29 as ten years ago. We are fully aware that the railways  
30 have to pay higher wages and have higher expenses to  
make good and somebody has to pay for it. It is rather  
unfortunate that we cannot take the same stand because







1  
2 we have not the assistance of the Board of Transport  
3 Commissioners or the government. We were compelled, I  
4 think our wages increased one hundred per cent since  
5 1947, too, to raise our prices. We sell at 1947 prices  
6 and this can best be proven by the railways themselves  
7 that I tell the truth. This industry delivered for the  
8 Canadian National Railways in the year 1947, the Inter-  
9 national Aviation Building, Canadian granite for the  
10 use in Quebec, published tender. Ten years later the  
11 Queen Elizabeth Hotel was built and you can check with  
12 your chief architect's office. I was called in for  
13 budgetary purposes what price they would have to put into  
14 their budget for this building and I said, "Take the  
15 prices from 1947." Now, I think that this story proves  
16 a little bit the situation. I said I understand the rail-  
17 ways have to make good for their expenses if they have to  
18 pay higher wages, if the government does not give them the  
19 difference so we have to pay it in freight and it is  
20 only the question of who can carry the increase. Is  
21 there any product, industrial products in the country  
22 which carries on its price so high a percentage of freight  
23 as the granite which in our brief we say we cannot lose  
24 half of Canada as our customers. When I deliver something  
25 to Calgary and take our price of approximately \$7.50  
26 for a weight of 100 pounds, the freight we have to pay  
27 at present-day rates makes 56 per cent of the value. It  
28 is understood if the percentage of freight is 56 per cent,  
29 that every increase on freight hits us much harder than  
30 anybody else in other industry. We cannot do more than  
sell at the price of 1947 and carry the 100 per cent





1  
2 increase in rates ourselves. That means we are on the  
3 brink of collapse all due to our own fault if we consider  
4 ourselves as farmers unless our association which was  
5 formed only a year ago looks after our interests and  
6 saves us at the last moment before we go down so that  
7 justice is done to us.

8 Can you imagine if a customer who is more  
9 favourable in time to Canadian production than our own  
10 government? No. Government is not a business, they are  
11 not business people, they won't assist Canadian producers,  
12 therefore, when we build public buildings preference is  
13 given to Canadian material and Canadian production  
14 provided that the Canadian industry does not take advan-  
15 tage of this goodwill of the government and accelerate its  
16 prices. What is the exaggeration of the prices? The  
17 government says the chief architect would consider as  
18 exaggerated anything beyond ten per cent..  
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1 May I prove to the Royal Commission and to the railways  
2 that the present freight rate to Calgary for a 36,000-  
3 pound railway car means a difference between the  
4 freight from Minnesota to Calgary and from Montreal to  
5 Calgary of 17½ per cent of the total value of the  
6 material. Therefore, our government is forced to let  
7 our industry go down the drain, an industry which has  
8 existed for 140 years, and employed, on the turnover,  
9 a higher percentage of labour than any other industry.  
10 Doesn't it prove that increases in freight rates should  
11 be examined? Who can carry that without going down?  
12 We are killed, whereas in other industries the differ-  
13 ence is, perhaps, only a one per cent increase in their  
14 prices -- whereas, for us, it is 10 per cent.

16 There is something else: Mr. Awada complained  
17 in his brief that the Board of Transport Commissioners  
18 should exert a bigger influence on the way in which  
19 freight rates are divided up among the different indus-  
20 tries. The only time I came in contact with the Board  
21 of Transport Commissioners was six years ago: we had  
22 big contracts in Regina and the government said, "There  
23 is no escalator clause in the contract, and that means  
24 if the freight rate goes up you would have to carry  
25 the increase." We had a commodity rate to Regina,  
26 and one day, from one day to the other, the railway  
27 increased our freight rate 119 per cent. Later,  
28 they left the tariff but eliminated the word "polished".  
29 Therefore, we didn't have any commodity rate for that  
30 product any more. I asked some gentlemen in our





1 government at that time, "Is the railway a public utility?"  
2 and I didn't get an answer. However, I pressed for it,  
3 and they said, "Yes, in a way they are a public utility."  
4 I said, "If it is a public utility and you give a monopoly  
5 towards somebody, I think you have to watch that no misuse  
6 is made of that monopoly." I went at that time to Mr.  
7 Chevrier, who was the Minister of Transport, and brought  
8 this to his attention, and he nearly threw me out and said,  
9 "How can I know 500 or 5000 tariffs under my jurisdiction?"  
10 I said, "I can well understand, and I am terribly sorry  
11 to bother you about it, but you have only to tell me to  
12 whom I can address myself," and he looked it up in the  
13 telephone book and said that it was the Board of Transport  
14 Commissioners. He spoke to Mr. So-and-So and asked  
15 him if he would see me, and the answer was, "Yes, sure."  
16 The result was that the Board of Transport Commissioners  
17 got in touch with the C.P.R. and C.N.R. and said, "Stop  
18 that until we have investigated the case."  
19

20 The next morning I got a call from the C.P.R.  
21 and C.N.R. and we came to a very decent arrangement, and  
22 the freight stayed as it was before -- without the 119  
23 per cent increase.

24 If the Board of Transport Commissioners would  
25 bring the parties together, without much bother, I think  
26 it would be better for the mutual interests of the railways  
27 and us.

28 We are fully aware, as I said before, that if  
29 the railways have more expenses, somebody has to make  
30 up for it, but you are in the fortunate position that we







1 have to carry it ourselves, and you put it on our  
2 shoulders, whether we can carry it or not.

3 I think I can't take up more of your time, but  
4 it seems to me important to bring this into the picture,  
5 that we are really at the brink of collapse, so many  
6 companies have gone on the down drain, and looked at  
7 from a national point of view -- and I am only a young  
8 Canadian, gentlemen -- this industry, which is one of  
9 our oldest and brings the material out of our soil  
10 should not go to the dogs.

11 I count on your assistance and understanding.

12 ---The witness withdrew.

13  
14  
15 MR. AWADA: Mr. Chairman, I should like to  
16 read into the record three bits of correspondence which  
17 I am sure will interest the honourable members of this  
18 Commission. One of them I wrote to the Minister of  
19 Public Works, the Honourable C. G. Willis, Regina,  
20 Saskatchewan, October 20th. There was a tender out for  
21 the construction of the Regina Law Courts. Granite  
22 was specified, and this is an example, Mr. Chairman, of  
23 a sizeable contract that was actually lost to American  
24 competitors because of the freight differential. Here  
25 is the reply, and may I read this?

26 THE CHAIRMAN: Yes.

27 MR. AWADA: Mr. Chairman, one of these letters  
28 got into the press -- the Regina Leader-Post -- and it  
29 came to the attention of the Honourable Mr. Willis after  
30 he had received my letter, and his reply is:





1 "Dear Sir:

2 "First may I say, Mr. Awada, that I am  
3 familiar with your complaint as outlined in  
4 your letter of October 20th, having been privi-  
5 leged to read your earlier communication which  
6 you sent to the Regina Leader-Post about a month  
7 ago regarding the same matter.

8 "I should like to point out that while our  
9 architect originally specified American granite,  
10 alternates were allowed. The department re-  
11 ceived three bids in all for granite facing,  
12 one of which was for Canadian granite. The  
13 decision to use the American product on the  
14 Regina Law Courts building is a firm one, based  
15 on attractiveness of material and a favourable  
16 price.

17 "As you no doubt are aware, our decision  
18 meant a saving of better than ten per cent.  
19 It would be difficult for us to justify using  
20 even Saskatchewan products if the price  
21 differential were of that magnitude.

22 "In regard to establishing a granite  
23 dressing plant in this province, the Saskatche-  
24 wan Government I am sure would welcome such an  
25 industry; however, the members of our Associa-  
26 tion would be in a better position than I to  
27 judge whether there would be sufficient work  
28 to justify such a venture.

29 "In conclusion may I say that I regret  
30







you did not see fit to write to me directly when this matter first came up. At this late date it would be impossible to cancel the order which the contractor would have placed by now."

The freight difference is  $17\frac{1}{2}$  per cent on the total price, Mr. Chairman.

THE CHAIRMAN: That is from Mr. Willis to you?

MR. AWADA: This is from Mr. Willis to me.

I had written to him as follows:

" October 20, 1959

"The Honourable C. G. Willis,  
Minister of Public Works and Reconstruction,  
Province of Saskatchewan,  
Regina, Saskatchewan.

Dear Mr. Willis:

"As Secretary of this Association, I must draw the matter of the exterior granite facing for the new Court House in Regina to your attention. Your architects have not only specified an American granite for this building where several Canadian granites are available of equal quality, texture, grain and colour, but have also called for a finish for this granite which has never been used in Canada, to any extent, as our firms have considerable reservations concerning this finish in our climate.

"Our member firms who have bid on this granite work have drawn all this to the attention of the architect but have been told that this was a firm decision.





1 "You are aware that the federal Department  
2 of Public Works as well as all other provincial  
3 and most municipal departments insist on Canadian  
4 materials where available and that granites  
5 are available today in this country on a par with  
6 any other. What can we expect from private  
7 owners if government bodies specify not only im-  
8 ported materials but also foreign workmanship?  
9

10 "We are aware that due to the geology of  
11 your province, granite dressing has never been  
12 carried on to any extent, but we feel that this  
13 should be no reason to favour the importation  
14 of foreign products.

15 "If your department is interested in  
16 seeing a granite dressing plant established in  
17 your province and if you feel that there would  
18 be sufficient work to justify such a venture, I  
19 would be pleased to take the matter up with  
20 some of our member firms who are active in the  
21 Western Canadian market.

22 "In the meantime, I would appreciate  
23 your views on the immediate problem of the  
24 granite for the Regina Court House which you  
25 will understand is one of considerable con-  
26 cern to this Association.

27 "Yours very truly,

28 "Michael Awada, B.C.L."

29 THE CHAIRMAN: Now, you have read the letter  
30 and the reply?







1 MR. AWADA: Yes.

2 COMMISSIONER ANSCOMB: Can you tell me two  
3 things, at this point: do you know why the Saskatchewan  
4 government stipulated imported material -- other than  
5 price, because they didn't know that when they put it  
6 in their tenders?

7 MR. AWADA: I believe Mr. Glay Sperling  
8 can answer that question.

9 COMMISSIONER ANSCOMB: Well, just a brief  
10 answer, because I am out of order here.

11 MR. GLAY SPERLING: Mr. Commissioner, American  
12 granite firms from Minnesota increase their sales cam-  
13 paign with every freight increase that hits us. The  
14 American firms in Minnesota are blanketing the Manitoba  
15 and Saskatchewan provinces with salesmen, with literature  
16 and samples to such an extent that it is very difficult  
17 for us to get into architects' offices. These are big  
18 powerful companies, sitting in Minnesota, larger than  
19 any one of our companies, but in their own home territory  
20 they are entirely without competition, and consequently  
21 have very good prices for their products. These very  
22 good prices they get in their own home territory allows  
23 them to go into a new market at very low prices indeed.

24 COMMISSIONER ANSCOMB: You will pardon my  
25 interrupting you -- I am out of order myself -- but I  
26 understand all that, but I am in business myself and I  
27 asked a specific question: why does the Regina government  
28 stipulate imported material?

29 MR. GLAY SPERLING: There is no granite quarried  
30





1 in the Province of Saskatchewan.

2 COMMISSIONER ANSCOMB: But there is in Canada?

3 MR. GLAY SPERLING: Yes. The answer to that,  
4 Mr. Commissioner, I could not give.

5 COMMISSIONER ANSCOMB: Thank you very much.

6 MR. AWADA: The letter may indicate an answer,  
7 Mr. Commissioner: "As you no doubt are aware, our  
8 decision meant a saving of better than ten per cent."  
9

10 THE CHAIRMAN: It is a matter of cost.

11 MR. AWADA: It may be the honourable Minister  
12 of Public Works was aware of the differential at the  
13 outset.

14 I should like to request, with the Chairman's  
15 permission, that Mr. John Mitchell Thompson, Vice-  
16 President and General Manager of Stanstead Granite  
17 Quarries Corporation, and First Vice-President of the  
18 Canadian Granite Industries Association, be examined as  
19 a witness.

20 THE CHAIRMAN: Very well, call him then.

21 JOHN MITCHELL THOMPSON, called

22 THE WITNESS: Mr. Chairman, you have heard  
23 Mr. Sperling, Sr., and there are two others of our dele-  
24 gation who will be going into detailed facts and figures  
25 of jobs actually lost out west. So, I will be as brief  
26 as I can with one little item -- and it may not be so  
27 little at that -- and that is the fact that importers --  
28 that is, the European peoples in the business shipping  
29 to this country -- have a preferential import rail rate  
30 from ocean ports. I know that you said earlier you







ANGUS, STONEHOUSE & CO. LTD.  
TORONTO, ONTARIO

Thompson, dir

9459

1 were not interested in actual rates as such, but if  
2 you will allow me to quote this: for example, a 36,000-  
3 pound car of a certain type of granite commodity, the  
4 import rail rate is \$4.26, shall we say, from Halifax  
5 to Calgary. The domestic rate -- and this would be  
6 principally from the Montreal or Eastern Townships area  
7 -- in that broad area -- is \$4.19 -- a difference there  
8 of 7 cents. So, in effect, the importers get a free  
9 haul from Halifax to Montreal.  
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1  
2 COMMISSIONER MANN: Mr. Thompson, what is the  
3 minimum weight --

4 THE WITNESS: Those are based on 36,000. They  
5 are both comparative rates in this case that I am using.  
6 It seems to me, Mr. Chairman, that not only is there an  
7 inequity there, but, as I see it, the maritime producers  
8 must suffer from this. Producers in Nova Scotia and  
9 New Brunswick are, admittedly, not too many, but they  
10 are there, they have to pay the domestic rate.

11 Now, as I heard, the others are going to go  
12 into detail on certain jobs that have been lost, and I  
13 won't take up more of your time. I just wanted to bring  
14 out one point here of the differential rail rate.

15 THE CHAIRMAN: Do you want to cross-examine  
16 the witnesses that are called?

17 MR. COOPER: I think, probably, after they  
18 have finished their case. It may be that different wit-  
19 nesses will have to speak to different parts of the brief,  
20 but I think it can be arranged that there will be cross-  
21 examination.

22 MR. AWADA: Mr. Chairman, I would like to  
23 ask Mr. Glay Sperling, Chairman of the Montreal Building  
24 Materials Joint Committee and Treasurer of the Canadian  
25 Granite Industries Association to cite specific examples  
26 of sizeable contracts in western Canada that were lost  
27 due to the differential.

28 SPERLING, GLAY, called.

29 THE WITNESS: Mr. Chairman, gentlemen, one  
30 granite contract which we lost recently last fall was







1  
2 the Law building in Regina, which was mentioned a little  
3 earlier. This job was lost to the Canadian industry by  
4 an amount of \$1678.00. Our price f.o.b. railway car  
5 Regina was \$30,828.00, and the price of our main compet-  
6 itor, being the Cold Springs Granite Corporation of  
7 St. Cloud, Minnesota, was \$21,950.00, the difference be-  
8 ing \$1678.00.

9 THE CHAIRMAN: Both f.o.b. cars, Regina?

10 THE WITNESS: Both f.o.b. cars, Regina.

11 I am not entirely sure whether Cold Springs was f.o.b.  
12 trucks or not, but the difference would be \$1678.00.

13 The freight which the Cold Springs Granite  
14 Corporation had at \$19.00 a ton - I am not figuring  
15 a truck haul - is approximately \$1200.00. That is the  
16 only figure available to me. Our freight by rail for  
17 the 72 tons was \$2828.00, a difference of \$1600 and some  
18 odd dollars, which is approximately the difference by  
19 which we lost the job. That was one job.

20 We have a job presently out for tender for the  
21 new head office building of the Monarch Life Assurance  
22 Company in Winnipeg. For this job the American firms  
23 have managed to manoeuvre themselves in such a position  
24 that we in eastern Canada or any Canadian firm are not  
25 able to obtain a set of plans to calculate the job.  
26 How they do it, Mr. Commissioner, I cannot tell you.  
27 They are aware of their enormous freight advantage;  
28 they are working hard. We do not work as hard in this  
29 part of the world because we have this terrible freight  
30 disadvantage.

My colleague, Mr. Robitaille, will have one





1  
2 or two examples to cite, and that is all I wanted to  
3 say, Mr. Commissioner.

4 THE CHAIRMAN: Thank you, Mr. Sperling.

5 MR. AWADA: Mr. Chairman, I would like to ask  
6 Mr. Paul Robitaille, president of National Granite  
7 Limited, to give testimony on several other contracts  
8 which were lost because of the freight differential.

9 ROBITAILLE, PAUL, called.

10 THE WITNESS: Mr. Chairman, gentlemen, in  
11 recent months two specific jobs have come to the attention  
12 of our company. These two jobs were, first of all, the  
13 biological building of the University of Saskatchewan.  
14 This job came out for tender in the late fall of 1958, and  
15 in order to keep our men working during the winter months  
16 we took this job at the price of \$4.40 per square foot  
17 f.o.b. our plant at Quebec. This price, as our competit-  
18 ors know, is much below our cost. In the past we had  
19 the opportunity to take a few jobs in western Canada in  
20 order to be kept busy in the wintertime, because most  
21 of the granite being quarried and fabricated in the  
22 province of Quebec, we have to go out and try to get a  
23 certain percentage of the sales volume in other provinces.  
24 In this particular case were competing with the Cold  
25 Springs Granite Company of Minnesota, who are apparently  
26 anxious to gain a hold in the prairie market to sell  
27 at extremely low prices. But you will realize, being  
28 a very small company, we cannot work below cost price  
29 very long.

30 The other job that was lost to our company to







1  
2 United States competitors was the office building for the  
3 Manitoba Department of Public Works in Winnipeg. This  
4 job was lost by about \$750.00, this being roughly three-  
5 quarters of the freight involved or calculated in our  
6 price for this job f.o.b. Alma, Quebec. The freight rate  
7 was \$2.57 per 100 pounds, 18 tons, the total being an  
8 amount of \$930.00, just for freight.

9 The conclusion I would like to draw from these  
10 two instances is that under present tariffs it is vir-  
11 tually impossible for us to compete with the Americans  
12 in this market.

13 THE CHAIRMAN: Thank you, Mr. Robitaille.

14 MR. AWADA: Mr. Chairman, that is the extent  
15 of our brief. We are ready for cross-examination.

16 THE CHAIRMAN: Mr. Cooper?

17 AWADA, MICHAEL, called.

18 CROSS-EXAMINATION BY MR. COOPER:

19 Q. Mr. Awada, you are secretary of the  
20 Association?

21 A. Yes.

22 Q. Mr. Awada, how many members has the  
23 Canadian Granite Industries Association?

24 A. At the moment our membership comprises  
25 fourteen members across Canada, fourteen companies.

26 Q. When you say across Canada, in what prov-  
27 inces are your members located?

28 A. Well, most of them are in the province of  
29 Quebec. We have members in the maritimes, two in the  
30





1  
2 maritimes, one in Ontario, the remainder in the province  
3 of Quebec.

4 Q. Ontario, Quebec and the maritimes?

5 A. Yes.

6 Q. What percentage of the quarrying and manu-  
7 facturing capacity of the Canadian granite industries is  
8 carried on by the operation of the association?

9 A. That is in the first part of our brief.  
10 It is between 90 per cent and 95 per cent.

11 Q. You say between 90 and 95 per cent of the  
12 quarrying and manufacturing?

13 A. Quarrying would be in the vicinity of 99  
14 per cent, if not 100 per cent. Probably it is 100 per  
15 cent.

16 Q. You say:

17 "Between 90 and 95 per cent of the quarrying and  
18 manufacturing capacity of the Canadian granite indus-  
19 try is located in eastern Canada mainly because the  
20 area is rich in granite deposits of a wide variety  
21 of colour and texture."

22 Now, are all the quarrying and manufacturing  
23 companies located in eastern Canada members of the  
24 association?

25 A. I believe all of them are. All the  
26 quarriers are, but there are small jobbers who are not.  
27 You will get the odd jobber who does not have a quarry  
28 and who is not a member of the association.

29 Q. What percentage of the industry is rep-  
30 resented by these small jobbers?

A. Oh, a very minor percentage; probably in







1  
2 the vicinity of five per cent.

3 Q. At what point are quarries located and also  
4 at what points are manufacturing plants located, general-  
5 ly?

6 A. Mr. Glay Sperling will answer as he is  
7 more familiar with the technical data of the industry.

8 MR. GLAY SPERLING: Quarries extend from the  
9 Atlantic coast, Shelbourne, Nova Scotia, to two hundred  
10 miles this side of Winnipeg, being Vermilion Bay, with the  
11 vast majority of the quarries in the province of Quebec.  
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18 (Page 9470 follows)  
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1 Q. You have one quarry 200 miles from Winnipeg?

2 MR. GLAY SPERLING: This side of Winnipeg.

3 Q. Of the rest the vast majority are in  
4 Quebec?

5 MR. GLAY SPERLING: Right.

6 Q. And small production in the maritimes?

7 MR. GLAY SPERLING: Yes.

8 Q. Now I want to ask a few questions, and  
9 perhaps Mr. Sperling will answer, as to the markets in  
10 the Canadian granite industry. What percentage of the  
11 production of granite is marketed in eastern Canada, that  
12 is, in Ontario, or from the head of the lakes east?

13 MR. C. SPERLING: To answer this question  
14 correctly -- is this question to be understood as at  
15 present or during the past ten years? We declared  
16 that we have lost gradually during the last few years  
17 as to the value of the freight increase in the western  
18 provinces. You say, what percentage is consumed in  
19 the eastern part of the country, in Quebec and Ontario?

20 Q. That is correct.

21 MR. C. SPERLING: Normally or not?

22 Q. Let us have it actually, to begin with,  
23 say, in 1959?

24 MR. C. SPERLING: 1959 was not quite as bad as  
25 it is today. Sixty-five per cent, I think.

26 Q. Sixty-five per cent of the market in  
27 Ontario and Quebec?

28 MR. C. SPERLING: Yes, I think so.

29 Q. Where was the other 35 per cent?  
30







1 MR. C. SPERLING: Western.

2 Q. Western Canada?

3 MR. C. SPERLING: Western Canada.

4 Q. Do you export at all to the United States?

5 MR. C. SPERLING: Not for one dollar in the  
6 last fifteen years. They take advantage of our raw  
7 material, but we cannot live on it, at least our men  
8 cannot. Dynamite, that is all!

9 Q. In 1959, 35 per cent of your market was  
10 in western Canada?

11 MR. C. SPERLING: Yes.

12 Q. When you say "Western Canada," can you  
13 distinguish between, let us say, the Vancouver market  
14 in British Columbia and the other provinces?

15 MR. C. SPERLING: I exclude for the time being  
16 British Columbia -- Vancouver. We have to keep it  
17 separately.

18 Q. Take your 35 per cent figure. How much  
19 of that represents sales in Vancouver?

20 MR. C. SPERLING: I am terribly sorry. I am  
21 not a statistician and I have so much other technical  
22 questions in my head that I do not want to be nailed  
23 down for making a mistake and saying something which is  
24 wrong.

25 Q. I am not attempting ---

26 MR. C. SPERLING: I am prepared to see to it  
27 that the Association brings you the exact figures, and  
28 I shall be glad to give you accurate figures from our  
29 own company, which is most interested.  
30





1 Q. I am not looking for figures down to  
2 the last percentage point, but just to get a picture of  
3 the industry. What was the position, say, ten years  
4 ago with respect to the western provinces? Was it a  
5 greater amount of the production marketed there ten  
6 years ago or a lesser amount than the 35 per cent you  
7 have just mentioned?

8 MR. C. SPERLING: Because we delivered to  
9 the western provinces ten years ago approximately 35 per  
10 cent, the industry was looking forward to that, western  
11 Canada not having any granite in its own soil, and the  
12 development in Calgary and the industrial development  
13 in the west, that our own market would go to the western  
14 provinces. The contrary is the case. We are cut off.

15 Q. The difficulty, then, is that the market  
16 there, the sales to western Canada have not increased?  
17 Is that the difficulty?

18 MR. C. SPERLING: They decreased by 60 or  
19 75 per cent.

20 Q. They have decreased by 60 or 75 per  
21 cent?

22 MR. C. SPERLING: Yes.

23 Q. Over the past ten years?

24 MR. C. SPERLING: No, during the last three  
25 years -- more recently.

26 Q. During the last three years?

27 MR. C. SPERLING: Yes.

28 Q. Well, what percentage of the market in  
29  
30







1 the western provinces is now supplied by United States  
2 producers? Can you answer that?

3 MR. C. SPERLING: All recent ones.

4 Q. I am sorry?

5 MR. C. SPERLING: All recent jobs have been  
6 supplied during the last few months by the United States.

7 Q. What you have lost, they have gained?

8 MR. C. SPERLING: Right.

9 Q. Has there been a decline in sales of  
10 granite in the east in the last few years, or have you  
11 increased your sales in the east?

12 MR. C. SPERLING: No. The demand in the east  
13 depends entirely, to my mind, to what extent the province  
14 of Quebec and the Dominion government put up federal  
15 buildings or banks or insurance companies.

16 Q. But have your sales in Ontario and Quebec  
17 in fact increased in the past few years?

18 MR. C. SPERLING: No.

19 Q. Say, five years?

20 MR. C. SPERLING: No.

21 Q. They have not?

22 MR. C. SPERLING: No. The answer can be  
23 correctly given by looking up the turnover of all com-  
24 panies concerned in the years before and during the  
25 last three years. This will give you the answer to  
26 your question correctly.

27 Q. Is there any United States granite coming  
28 into eastern Canada?

29 MR. C. SPERLING: No, with one exception. A  
30





1 very few blocks of a certain colour, if an architect  
2 or an artist sees the colour with other eyes than we  
3 and he is set on a certain thing.

4 MR. GLAY SPERLING: But only in the form of  
5 raw blocks. There is no finished American goods coming  
6 into Canada whatever. A small quantity of raw material.

7 MR. COOPER: Q. Mr. Awada, at the hearing  
8 of this Commission held in Montreal on the 23rd of  
9 October, 1959, the question of whether or not there  
10 was any duty on American granite coming into Canada  
11 from the western United States was raised, and you  
12 said, and I quote from page 198 of Volume No. 2 of  
13 the transcript:

14 "I understand there may be, but the extent  
15 of the duty I am not prepared to state at the  
16 moment."

17 Have you any information on that subject now?

18 A. Yes, Mr. Chairman, there is a tariff.  
19 There definitely is a tariff.

20 COMMISSIONER ANSCOMB: How much is it?

21 THE WITNESS: It is 25 per cent for polished  
22 granite; for rough blocks it is 12.5 per cent; and  
23 for sawn and hammered granite it is 15 per cent.

24 MR. COOPER: Q. In what form does the  
25 granite come over the border from St. Cloud? Is it  
26 polished after it gets into Canada or does it come in  
27 the polished state, or what?

28 MR. GLAY SPERLING: In order to get away from  
29 the 25 per cent, the American firms have developed a new  
30







1 technique of finishing the face of the granite, which  
2 is done by the application of a high temperature block,  
3 which is called a thermo-textured finish. They have  
4 mesmerized the tariff division ---  
5

6 MR. SINCLAIR: That is quite a job. I have  
7 tried it myself.

8 MR. GLAY SPERLING: -- into accepting bring-  
9 ing this in at rate for sawn and hammered. We have  
10 contended, in a recent conversation we had, that this  
11 is almost as fine a finish as polished, and certainly a  
12 more valuable finish than sawn or hammered.

13 MR. COOPER: Q. Is that technique in  
14 use in Canada at all?

15 MR. GLAY SPERLING: No.

16 Q. If it were in use and the granite was  
17 not classed as polished, would you expect a lower freight  
18 rate from the east to the west?

19 MR. GLAY SPERLING: Yes, we would certainly  
20 try.

21 Q. Can you give me any information -- and  
22 perhaps you cannot, Mr. Sperling -- as to the relative  
23 cost of production of the granite in St. Cloud, Minne-  
24 sota, and your granite in Canada?

25 MR. THOMPSON: It is difficult to give an  
26 accurate answer on that one, but you know that lots of  
27 our supplies that we have to use originate in the  
28 United States. Therefore our cost of supply is auto-  
29 matically higher by the amount of duty imposed on us.

30 Q. What supplies would they be?





1 MR. THOMPSON: For instance, wire for sawing,  
2 and abrasive material, steel shot, carborundum wheels,  
3 diamond wheels -- all those items which cost us more  
4 than they do the Americans. For example, in our  
5 particular plant every piece of machinery we have in  
6 that plant is United States made, because they are not  
7 made in Canada, and our basic costs of machinery are  
8 more than the American.

9 Q. What about your costs of labour? Can  
10 you make any comparison there?

11 MR. THOMPSON: They are not too far apart,  
12 considering everything nationally.

13 Q. Would it be correct to say that generally  
14 speaking your costs of production are higher than the  
15 costs of production in St. Cloud, Minnesota?

16 MR. THOMPSON: All other things being equal,  
17 yes.

18 Q. Have you mechanized to any extent your  
19 industry, if it is capable of mechanization -- and I will  
20 have to depend on you to enlighten me on it?

21 MR. THOMPSON: I can only speak for myself.  
22 These other chaps can speak for their own companies.  
23 We have mechanized our plant to the point where we are  
24 almost going broke doing it, in an effort to put our-  
25 selves in a position to produce more cheaply if we  
26 possibly can. In so far as mechanization goes, I  
27 believe that this very competitor of ours in the United  
28 States is the only one who can top us for modern methods  
29 of production.  
30







1 Q. Mr. Awada, on page 2 of the brief you  
2 have a statement:

3 "Since March 1948, therefore, this industry  
4 has been subject to freight increases totalling  
5 157.3 per cent."

6 I believe it is correct to say that, if the roll-back  
7 is taken into account, the figure of 157.3 per cent  
8 would become 142 per cent?

9 A. Yes, sir. I believe I obtained that  
10 figure from yourself or from one of your assistants.

11 Q. It is a very poor source.

12 A. I am sorry -- I obtained that information  
13 from the C.P.R., from the Legal Branch of the C.P.R.

14 THE CHAIRMAN: That is worse still.

15 MR. SINCLAIR: I will stay with it. This  
16 is the calculation and it is 157.3 per cent.

17 THE WITNESS: Is this your calculation, Mr.  
18 Sinclair?

19 MR. SINCLAIR: Mine and also a number of  
20 other people who are not far from me right now, and they  
21 are on both sides of this table.

22 THE WITNESS: If I may add this, the effect of  
23 the increase is 185.6 per cent because that 157.3 per  
24 cent only takes into account the increase since  
25 the 1948 figure, but if you compound the increase  
26 the effective percentage is 185.6 per cent.





1 Q. How do you arrive at that 185.6 per cent?  
2 Have you the calculation there?

3 A. We have the calculation. If we begin  
4 with \$1, the cost of \$1 freight before March, 1948, you  
5 increase 21 per cent and that gives you \$1.21. Then  
6 you increase 20 per cent, say, then you increase 8 per  
7 cent -- pardon me, we took the whole 20 per cent, add the  
8 whole 20 per cent of \$1.21 -- it is not 20 per cent of  
9 \$1 but 20 per cent of \$1.21, which becomes \$1.45.  
10 Then you will add 17 per cent and the 6 per cent which  
11 comes to \$1.87 plus 9 per cent comes to \$2.04 plus 7  
12 per cent, \$2.18 plus 4 per cent, \$2.26. Then your  
13 11 per cent comes to \$2.51, ultimately your 17 per  
14 cent comes to \$2.84, so \$1 worth of freight cost in  
15 1948 now costs the industry \$2.84, and this gives us a  
16 percentage of 185.6 per cent.

17 Q. Now, that does not take into account the  
18 roll-back from 17?

19 A. Oh, yes, it does; it takes into account  
20 all of the roll-backs on the interim.

21 Q. I mean the roll-back related to No. 12,  
22 order No. 96300 of November 17, 1958, an increase of 17  
23 per cent. You have had a roll-back since that of 7  
24 per cent?

25 A. No, that figure is not taken into considera-  
26 tion, therefore, the amount there would be decreased by  
27 a slight amount.

28 Q. And also the granite moving west does get  
29 the benefit of the bridge subsidy?  
30







1 A. We never heard of the bridge subsidy.

2 Q. Well, Mr. Awada, I think that if you are  
3 interested in what you are getting advantage of you  
4 are getting the bridge subsidy. The railways will no  
5 doubt point that out that you are getting that advantage.  
6 In any event, I will leave it to them.

7 COMMISSIONER MANN: Before you leave that,  
8 subject, I wonder if I could ask Mr. Awada to check this  
9 compounded increase over the lunch hour? I think there  
10 is relative unanimity in people who play around with  
11 these figures that it is 157.3 per cent without the  
12 roll-back and this 186 per cent figure is a little  
13 startling. I was wondering perhaps in making up the  
14 calculation you have not calculated some of the interim  
15 increases and not knocked them out when they were  
16 replaced.

17 THE WITNESS: I will check them.

18 MR. COOPER: Q. I think there is a double  
19 compounding there somewhere, but they can be checked.  
20 I was interested only for the moment in getting the  
21 calculations so they could be checked.

22 Now, page 3, and just for the purposes of  
23 having the record correct, in the last paragraph and in  
24 the sentence beginning, "Even in 1916 . . .", you  
25 continue on and quote:

26 "'Some articles may reasonably stand a greater  
27 lift in the schedules than others, on the one  
28 hand, and advances asked for in some items  
29 may be deemed too great or even inadmissible.'  
30





1 I think that quotation should read as it appears on  
2 page 54 of the Turgeon Report and the wording that you  
3 have there is not quite correct. I can find it here  
4 in the Turgeon Report in just a moment.

5 A. I have that; as a matter of fact, that  
6 is where I took it from.

7 Q. If you check it you will find it is not  
8 reproduced accurately and should read:

9 "Some articles may reasonably stand a  
10 greater lift in the schedules than others; on  
11 the other hand, the advances asked for in some  
12 items may be deemed too great, or even inad-  
13 missible."

14 I think that should be corrected.

15 A. Yes, I apologize for that error, Mr.  
16 Chairman.

17 Q. Now, also on page 4, if you will look at  
18 the second complete paragraph you will agree, I think,  
19 that when stone is referred to the reference should be  
20 to crushed stone. You can check that if you wish by  
21 looking at the Turgeon Commission Report again at page  
22 54 and in subparagraph II on that page you will see  
23 there, Mr. Awada, that in the case of coal and coke a  
24 flat increase not exceeding 15 cents per ton. Then you  
25 will find a reference there to -- I am sorry, it is  
26 paragraph III, the reference is to crushed stone, not to  
27 stone. Is that correct?

28 A. Yes, it would appear that way from page 54.  
29 Mr. Chairman, I cannot say at this stage whether my  
30







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(Cooper)

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1 reference to stone should be confined to crushed stone,  
2 unless, of course, the list on page 54 is complete.

3 THE CHAIRMAN: Well, Mr. Awada, we will  
4 adjourn now until two o'clock.

5  
6 ---Luncheon adjournment.  
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1  
2 ---On resuming at 2.00 p.m.

3 MR. COOPER: Q. Mr. Awada, before we adjourned  
4 for lunch I was dealing with page 4 of the brief, and I  
5 believe you agree that in the second paragraph the word  
6 "crushed" should be inserted before the word "stone",  
7 and, similarly, in the fourth paragraph the word "crushed"  
8 should be inserted before the word "stone", in the second  
9 line; is that correct?

10 A. Yes. We went over that before lunch and  
11 I discovered that there was no increase permitted on  
12 stone in the 1918 decision. Consequently, paragraph 2  
13 and paragraph 4 on page 4 would have to be amended to  
14 read "crushed stone" and paragraph 3 will have to be  
15 amended to state that in the 1918 case, where the 25  
16 per cent increase was requested, there were no increases  
17 whatsoever on stone products. Is that correct, sir?  
18 I believe we examined the decisions during the lunch hour.

19 Q. I believe that is correct. Now, coming to the  
20 last paragraph on page 4 and for the purposes of clarification  
21 and also for the purpose of supplementing the  
22 record, you state:

23 "In the 8 per cent increase in 1949 the Board dealt  
24 exclusively with the railways' revenue requirements  
25 and not with rates on specific commodities, and  
26 again on every application thereafter, namely,  
27 twice in 1950, once in 1951, twice in 1952, once in  
28 1953, twice in 1956, once in 1957, and once in 1958."  
29 I should like to refer you to the 17 per cent case in  
30 1952, JOR & R, volume 41, dated February 6, 1952, No. 21A,







1  
2 and draw **your** attention to the fact that there are ex-  
3 ceptions in that case, as mentioned on page 31: (3) rates  
4 on building sand and gravel in bulk in open-top cars  
5 may be increased by ten cents per 2,000 pounds; and (4)  
6 rates on crushed stone and stone screenings in bulk in  
7 open-top cars may be increased 20 cents per 2,000 pounds.  
8 I think you will agree that should go into the record?

9 A. Mr. Chairman, I did read this reference dur-  
10 ing the lunch period, and upon reading a little further,  
11 at the suggestion of counsel for the Commission, we read  
12 that this exception was eventually annulled because  
13 certain applications were made by the gravel people to  
14 the effect this would cause undue prejudice from their  
15 competitors in the sand business.

16 Q. Perhaps we should clear the matter by my  
17 referring to the 11 per cent increase case, JOR & R,  
18 volume 46, January 1, 1957, No. 19A, page 21. These  
19 words appear:

20 "We also established a maximum increase ..."  
21 -- and that refers to the 17 per cent case of 1952 --  
22 "...of ten cents per 2,000 pounds on building sand  
23 and gravel, and 20 cents per ton on crushed stone  
24 and stone screenings only to be assailed immediately  
25 by the crushed stone producers that their product  
26 was competitive with gravel. We promptly cancelled  
27 these exceptions so that a uniform increase applied  
28 thereto, evidently to the satisfaction of those  
29 concerned as no further complaint was made."

30 So, I think that indicates that on one occasion, at least,  
since 1949 rates on specific commodities were dealt with?





1  
2 A. Yes, I am willing to concede that.

3 Q. And after having been dealt with it was  
4 found necessary to rescind the special exceptions that  
5 had been made with respect to the commodities I have  
6 mentioned?

7 A. Yes, the decision there speaks for itself.

8 Q. Coming to page 5 and the following pages,  
9 where you deal with the American experience, I think it  
10 is correct to say -- and I am only making this point for  
11 the purposes of ease of reference to the material you  
12 have there -- that the matter of the American experience  
13 is dealt with, much as you have set it out, in the Turgeon  
report commencing at page 58?

14 A. Yes, most of it is from the Turgeon report,  
15 with the exception, of course, Mr. Chairman, of the last  
16 two decisions that I quoted this morning, which have  
17 been rendered since the last royal commission sat.

18 Q. On page 8, the quotation you have at the  
19 top of the page commencing,

20 "It should hardly be necessary ..."  
21 is set out on pages 63 and 64 of the Turgeon report, and  
22 I merely want to indicate clearly the source of your  
23 quotations there. It is the case of Dawson Board of  
24 Trade and Whitepass and Yukon Railway Company, 11 CRC,  
25 and the year is 1911, and on page 402, and is dealt with  
in the Turgeon report under the heading of "Rate Base and  
Rate of Return"?

26 A. That is right, page 64 of the Turgeon report.

27 Q. In your second paragraph on page 8 you  
28 state:  
29  
30







1  
2 "In the United States on the other hand the Inter-  
3 state Commerce Commission has always stressed that  
4 first consideration shall be given to the effect of  
5 rates on the movement of traffic and the public  
6 interest, and secondarily to the necessity of pro-  
7 viding sufficient revenues to enable carriers under  
8 honest, economical and efficient management to  
9 provide adequate and efficient railway transportation."

10 I understand that the support for that state-  
11 ment is what is contained in the next paragraph beginning,

12 "This rule of rate-making is contained in section  
13 15A of the Interstate Commerce Act which provides..."  
14 and then you set out the rule as contained in that  
15 section?

16 A. Yes.

17 Q. Mr. Awada, you have given first consider-  
18 ation to the effect of rates on the movement of traffic  
19 and the public interest in the first of the two para-  
20 graphs to which I have referred, and you have put only  
21 secondarily the necessity of providing sufficient rev-  
22 enues to enable carriers under honest, economical and  
23 efficient management to provide adequate and efficient  
24 railway transportation, but is there any difference in  
25 the emphasis between those two things in your quotation  
26 from section 15A, or aren't they of equal importance?

27 A. Well, from my reading of the decisions  
28 rendered by the Interstate Commerce Commission for the  
29 last twenty years, it would appear that the primordial  
30 interest of the Interstate Commerce Commission in render-  
ing its decisions is, first of all, the effect of these





1  
2 rates on the movement of traffic, and secondarily the  
3 necessity of providing sufficient revenues to the railways,  
4 and I included, or I quoted, from section 15A simply to  
5 illustrate that under the provisions of the Interstate  
6 Commerce Act the effect of rates on the movement of  
7 traffic is listed first, and secondly to the need in the  
8 public interest of adequate and efficient railway trans-  
9 portation, and thirdly to the need of revenues to enable  
10 the carriers .... I am ready to concede there is nothing  
11 in the Interstate Commerce Act which imposes upon the  
12 Interstate Commerce Commission the necessity of considering  
13 these three factors in the order in which I have stated  
14 them on page 8, but I merely said, from my readings of  
15 their decisions, it would appear the first consideration  
16 is the effect of rates on the movement of traffic, and  
17 that secondary consideration is given to the providing of  
18 sufficient revenues to the railways.

19  
20 (Page 9493 follows)  
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1 Q. That is what you consider to be the  
2 effect of your study of the decisions made by the  
3 Interstate Commerce Commission?

4 A. The effect of my study of the decisions  
5 made by the Interstate Commerce Commission, yes, sir,

6 THE CHAIRMAN: They are all tied up together.

7 THE WITNESS: Yes, Mr. Chairman.

8 MR. COOPER: Q. On page 9 you mention at  
9 the bottom of the page that "practically all the blue  
10 granite quarried at Mt. Johnson is hauled to plants in  
11 Beebe and Stanhope, Que., approximately 100 miles," and  
12 on page 10 you have other examples of distances from  
13 which granite is hauled to various plants. Now,  
14 are any of those haulage movements by truck or are they  
15 all by rail? Take, for example, the first one, the  
16 movement from Mt. Johnson to plants in Beebe and  
17 Stanhope, Quebec?

18 A. The first one is by truck.

19 Q. What about the second one?

20 A. By rail and by truck.

21 Q. In what proportions?

22 A. Just about fifty-fifty, Mr. Chairman,  
23 half and half.

24 MR. HUME: Do you mean a movement by rail  
25 and truck or some by rail and some by truck?

26 THE WITNESS: Some by rail and some by truck.

27 MR. COOPER: Q. No. 3:

28 "Pink granite quarried in the County of  
29 Labelle, Que. is hauled at least 175 miles  
30





1 to plants in the Montreal area, often over  
2 350 miles to plants in the Eastern Townships."

3 No. 4:

4 "Red granite quarried in the County of  
5 Dryden, Ont., is mainly hauled to plants in  
6 the Montreal and Beebe-Stanstead area, a matter  
7 of roughly 1,300 miles."

8 I think you said that was at Vermilion?

9 A. Yes.

10 Q. Two hundred miles from Winnipeg?

11 A. Yes.

12 Q. You say that that red granite is mainly  
13 hauled to plants in the Montreal and Beebe-Stanstead  
14 area, a matter of roughly 1300 miles. That moves by  
15 rail, I take it?

16 MR. C. SPERLING: Exclusively by rail.

17 Q. Where does that granite go which is  
18 hauled from a point 200 miles from Winnipeg to plants  
19 in the Beebe-Stanstead area for finishing and manu-  
20 facturing, and after that where is that red granite  
21 marketed?

22 MR. GLAY SPERLING: Two substantial jobs in  
23 this material have been done in Canada: one with the  
24 General Post Office in Vancouver, in which we hauled  
25 it 1300 miles to plants and then back to Vancouver; the  
26 second was a new airport at Ottawa, Uplands Airport,  
27 which was hauled to Montreal by rail, from Montreal in  
28 raw form by truck to the Stanstead-Stanhope area, and  
29 thence by truck in finished form to Ottawa. These  
30







1 are the two most substantial granite jobs done in  
2 this particular material.

3 Q. There is no manufacturing or finishing,  
4 if I may use the expression, in Manitoba or nearer to  
5 Vermilion than the Stanstead, Quebec, area?

6 MR. THOMPSON: Not of sufficient size or  
7 capacity to handle moderate to large amounts.

8 Q. Also on page 10 you deal with the position  
9 on the Pacific coast, where your competition is mainly  
10 from European manufacturers. What percentage of the  
11 market on the Pacific coast is supplied by European  
12 manufacturers?

13 MR. C. SPERLIN: Eighty-five per cent.

14 Q. And 15 per cent by members of your  
15 Association; is that correct?

16 MR. C. SPERLING: Yes.

17 Q. Is there any granite moved into the Pacific  
18 coast area from St. Cloud, Minnesota?

19 MR. C. SPERLING: On that side of the mountains  
20 it is not so much. It stays more on the east side of  
21 the Rocky Mountains. It may be that they ship it from  
22 Seattle, get it from Seattle by boat.

23 Q. So there is some gets moving from the  
24 United States into the Pacific area?

25 MR. C. SPERLING: Oh, yes.

26 Q. You mention the railway freight rate and  
27 the fact that an application to the railways in respect  
28 of what you call "impossible rate" by one of your member  
29 companies resulted in a refusal of the railways to  
30





1 consider a reduction, and the company was advised to  
2 petition the government for a subsidy. By whom was  
3 that advice given?  
4

5 A. Well, Mr. Chairman, the member company  
6 that we speak of here is Scotstown Granite Company,  
7 of which Mr. C. Sperling is president, and this was his  
8 own experience. If you want further amplification of  
9 it, perhaps Mr. C. Sperling may explain.

10 MR. C. SPERLING: May I ask you to ask that  
11 question again?

12 Q. Well, the question is related to the words:  
13 ". . . the company was advised to petition the government  
14 for a subsidy." I was asking who gave the advice to  
15 petition the government for a subsidy?

16 MR. C. SPERLING: Representatives of the C.P.R.  
17 I think Mr. Scully.

18 MR. SINCLAIR: Well, I wonder if it wasn't  
19 to petition the government for a subvention or a custom  
20 change?

21 MR. COOPER: Well, I don't know. Perhaps I  
22 could leave that to you, Mr. Sinclair.

23 Q. You mention on page 10 that the railways  
24 granted a rate of approximately \$42 per ton. Is that  
25 the rate now in effect?

26 MR. C. SPERLING: May I ask the C.P.R. how  
27 much was the last increase?

28 MR. SINCLAIR: Ten per cent.

29 MR. COOPER: Q. That was the rate before the  
30 last increase, and it has now gone up ten per cent?







1 MR. C. SPERLING: Yes.

2 Q. I asked that question because in the  
3 hearings in Montreal there was reference made to that  
4 rate, and I believe Mr. Awada said at that time that  
5 he was not sure of the rate but would find out if that  
6 rate was still in effect.

7 A. Yes, that is right. That was probably  
8 the rate, Mr. Chairman, before the last general increase.

9 COMMISSIONER MANN: The \$42 was the rate  
10 before the last increase?

11 THE WITNESS: Yes.

12 THE CHAIRMAN: And ten per cent is added now?

13 THE WITNESS: Yes.

14 COMMISSIONER MANN: It would have perhaps taken  
15 17 per cent but not 10 per cent, necessarily?

16 MR. SINCLAIR: On the rate statement I have  
17 from Beebe Junction to Vancouver, CFA 76C -- it must have  
18 been a specific commodity rate to which the bridge  
19 subsidy would apply -- rough, 344; polished, class 45,  
20 36,000 pounds, 583. That would certainly be more than  
21 \$42 a ton.

22 MR. C. SPERLING: This applies to shipments  
23 of 80,000 pounds.

24 MR. GLAY SPERLING: The \$42 we are talking  
25 about applies as a special rate on 80,000 pounds.

26 MR. COOPER: Q. Does the industry meet  
27 with competition from European manufacturers in eastern  
28 Canada?

29 A. Only negligible competition, Mr. Chairman;  
30





1 very little competition from European manufacturers in  
2 eastern Canada.

3 Q. Now, on page 11 you refer to the com-  
4 pletion of the St. Lawrence seaway, that such comple-  
5 tion will have the further unfavourable effect of  
6 bringing European shippers of granite strongly into the  
7 Ontario and lakehead markets, which could previously  
8 be reached by them only by means of transshipment.

9 I understood from your answer a moment ago  
10 that no such competition has as yet developed; is that  
11 right?

12 A. Well, Mr. Chairman, with the opening up  
13 of the lakehead ports it will have, in our opinion, the  
14 unfavourable effect of bringing European shippers into  
15 the Ontario and lakehead markets. Now, it is quite  
16 true that up to now we haven't had any serious com-  
17 petition from European manufacturers, and we place  
18 this paragraph here simply to illustrate that it is one  
19 additional factor that may very well contribute to  
20 the increase of the burdens already suffered by this  
21 industry.

22 Q. Those burdens have not been as yet im-  
23 posed on the industry?

24 A. No. We have not mentioned in our con-  
25 clusions with respect to that particular paragraph, and  
26 we just use it to illustrate. We anticipate it.

27 Q. You mention also on page 11 in the last  
28 paragraph:

29 "The actual burden of increases, therefore,  
30







1 is very often almost doubled as the freight has to be  
2 paid for less than carload lots, or 40,000 pounds are  
3 shipped at the cost of 60,000 pounds. This does  
4 not concern our competitors in Minnesota who transport  
5 their goods by truck in any case."

6 Have you taken up with the railways the question  
7 of carload weights?

8 A. So far, Mr. Chairman, the Association  
9 has not taken this matter up with the railways or with  
10 the Board of Transport Commissioners.

11 Q. Now, are any shipments made of the finished  
12 product by trucks to the Ontario and Quebec markets?

13 A. Yes, Mr. Chairman.

14 Q. What percentage of the production sold in  
15 Ontario and Quebec is delivered by truck?

16 A. Approximately 90 per cent, Mr. Chairman.

17 Q. So your problem is really confined pretty  
18 well to the problem of the western Canadian market?

19 A. Yes, Mr. Chairman.

20 Q. On page 12 you refer to the fact as set out  
21 in your brief that there is no doubt that the railways  
22 have undergone loss of income because of the statutory and  
23 regulatory restrictions imposed upon them. Now, what  
24 did you have in mind when you used the words "regulatory  
25 restrictions"?

26 A. Well, precisely what I stipulate in the  
27 sentence which appears after it.

28 Q. Yes, that is what I wanted to find out. It  
29 is only those regulatory restrictions that you are refer-  
30 ring to?





1 A. Yes, those we list. Of course, there is  
2 also an additional one which I don't think I mentioned.  
3 For the purposes of the brief I think we can restrict  
4 them to the ones mentioned in the brief.

5 Q. The ones mentioned and that paragraph  
6 which commences with the words "Another factor"?  
7

8 A. And the sentence before that, the Crow's  
9 Nest rates.

10 Q. They are statutory, of course. I was  
11 referring to merely regulatory restrictions.

12 A. That would be the preceding one, the  
13 abandonment of unprofitable branch lines and services.

14 Q. Under what circumstances do you consider  
15 that the railways should be able to abandon branch lines?

16 A. Well, I would say if another form of  
17 transportation is equally accessible to the branch being  
18 serviced -- I believe from my newspaper reading that the  
19 Province of Quebec submitted its brief in Quebec and  
20 that the attorney for the province submitted evidence  
21 on this matter.

22 THE CHAIRMAN: We were at Quebec last week.

23 THE WITNESS: Yes.

24 MR. COOPER: Q. Does your Association have  
25 views on the subject which may assist the Commission on  
26 the restrictions, if any, which apply on matters of  
27 abandoning the branch lines?







1  
2 A. Again, Mr. Chairman, this is my own opinion,  
3 and it is derived from my readings on the matter during the  
4 past several months. My readings seem to indicate this.  
5 Mind you, I have not had direct experience with this  
6 branch of the law, but everything that I have read seems to  
7 indicate that the Board of Transport Commissioners are  
8 very reluctant to permit the railways to abandon unprofit-  
9 able branch lines. The practice of the Interstate Com-  
10 merce Commission, on the other hand, is to the effect  
11 that whenever an application is made before that Commission,  
12 it will of its own accord endeavour to ascertain whether  
13 the branch lines which are requested to be abolished  
14 can be serviced by other agencies, and if they can the  
15 American practice has been to permit this abandonment.  
16 On pages 12 and 13 I state that in the United States  
17 about 15,000 miles of railway line were abandoned between  
18 1921 and 1948 because of truck competition.

19 Q. What is the source of that statement?

20 A. The source of that statement? I believe  
21 this is from the Turgeon Commission report. I read from  
22 page 284 of the final report of the Royal Commission on  
23 Canada's Economic Prospects, the second paragraph on that  
24 page:

25 "What is the significance of these trends for govern-  
26 ment policy? We have no panaceas to put forward, but,  
27 at this stage of our national development, we think a  
28 reasonable primary aim to be to allow the benefits of  
29 competition to accrue to shippers and the general  
30 public. Unnecessary subsidies are not just out of  
one pocket into another; they divert transport from





1  
2 "economically low-cost agencies to high-cost media  
3 with consequent adverse effects on industrial  
4 location....."

5 and so on.

6 "It is with these considerations in mind that we  
7 suggest that the Board of Transport Commissioners  
8 should vigorously follow up the suggestion of the  
9 Turgeon Commission to permit more abandonment of  
10 unprofitable branch lines and other unremunerative  
11 services. With the growth of bus and trucking  
12 services, this could be done in many cases with  
13 little or no loss to the public in terms either of  
14 convenience or of cost, particularly as the roads  
15 are now increasingly being kept open and serviceable  
16 throughout the winter. In those few localities where  
17 no other transportation is available, it would seem  
18 reasonable to permit the railways themselves to  
19 operate bus and trucking facilities, subject to  
20 those same safeguards of the public interest which  
21 are applied to similar services in the province con-  
22 cerned."

23 This goes on and on for several pages.

24 Q. Perhaps we can stop there. I was concerned  
25 principally in my question with the statement:

26 "In the United States about 15,000 miles of railway  
27 lines were abandoned between 1921 and 1948 because  
28 of truck competition."

29 I just wanted to get the source of that statement  
30 if I could.

A. The source of the statement -- I think you







1  
2 will find that in the Turgeon report.

3 Q. If you cannot find it now, perhaps we can  
4 go on.

5 A. I will make it a point to ascertain the  
6 source and to notify the Commission perhaps in writing.

7 Q. Now, also on page 13, the first complete  
8 paragraph on that page -- you have a statement:

9 "The railways have, on frequent occasions, stated  
10 that some eighty to eighty-five per cent of their  
overhead comes from this portion of traffic, and  
we regret to say....."

11 and so on.

12 A. Yes.

13 Q. What is the source of that statement there?

14 A. The source of this statement is from the  
15 Turgeon report.

16 COMMISSIONER MANN: It is also, if you will  
17 forgive me, on page 272 of the final report of the Gordon  
Commission. For the record, the sentence reads:

18 "These burdens on the railways force them to try to  
19 recover their overhead costs from a comparatively  
20 small proportion of their total traffic. They claim  
that some 80 per cent to 85 per cent of their overhead  
comes from the class of traffic in question."

21 MR. COOPER: Thank you, sir.

22 Q. Now, on page 14, under the heading of  
"The Board of Transport Commissioners" you state:

23 "Decisions during recent years show a negative atti-  
24 tude in dealing with geographic and economic con-  
ditions, and are also discriminatory."

25 I take it that you are not suggesting there  
26 that the rates fixed by the Board have been unjustly  
27 discriminatory?

28 A. Well, we take the position that -- perhaps  
29 what we should have said instead of saying "discriminatory"





1  
2 is that they discriminate against the long and the short-  
3 haul shipper. This is what is intended by that clause.

4 Q. That is merely perhaps another way of  
5 saying that, by applying horizontal increases, the long-  
6 haul shipper is discriminated against?

7 A. Yes, precisely.

8 Q. Now, on page 15, in the first complete  
9 paragraph on that page, you say:

10 "Having implied that the method of increases by a  
11 straight horizontal percentage might not be just and  
12 reasonable in all its consequences, the Board has  
13 stated that it was unable to depart from this  
14 because of the lack of reliable statistics with  
15 which to devise a different scale of increase."

16 Would you just indicate the source of that  
17 statement, if you can?

18 A. Well, the source of that statement --

19 Q. Presumably you are quoting.

20 A. No, this is not a quotation, but the idea  
21 in that paragraph is embodied --

22 Q. In the Turgeon report?

23 A. Page 272. This page is in the section  
24 entitled "The Board of Transport Commissioners for Canada",  
25 and the Commission at that time, after hearing argument  
26 and briefs, assessed the complaints as follows.

27 Q. I see it. It is on page 272 of the Turgeon  
28 report?

29 A. Page 272. While we are there, Mr. Chairman,  
30 with your permission, I would like to stress a paragraph  
which appears there. It says:







"All of these matters are dealt with elsewhere in this report, but the following statements must be added here in fairness to the Board:

(a) At the time the first of the recent rate increase applications was made in 1946, the Board had been comparatively inactive for a considerable period during which the rates were 'frozen' -- "

The last decision goes back to 1922, I believe

--

"..and prosperous traffic conditions had created a sense of security in the railways and in the Board."

Q. The matter to which you have referred on page 15, which I have mentioned --

A. Appears in paragraph (b).

Q. Paragraph 7 on page 272. In your conclusions you state as conclusion No. 1:

"That a more unified approach be taken by the federal government in dealing with the railways by reimbursing the railways where the federal government feels it necessary to provide transportation at reduced rates to certain regions and producer interests, thus making it unnecessary for the railways to recoup their losses from a comparatively small proportion of their total traffic."

I take it from that that the association is in favour of subsidies under certain circumstances?

A. Subsidies in one form or another, preferably remission of corporate income tax.

COMMISSIONER ANSCOMB: You may not make any





1  
2 profits?

3 THE WITNESS: A subsidy in one form or another.  
4 I am not using the word "subsidy" in the sense of its  
5 strict definition, but some form of payment or remission  
6 of corporate income tax to the railways, since after  
7 all they complain they are losing \$70 million a year on  
8 the grain rates, and on the other hand their non-operat-  
9 ing unions are presently requesting increases of \$70  
10 million. Obviously this money has to come from somewhere.

11 MR. COOPER: Q. It is the suggestion that it  
12 should come from the federal government?

13 A. That is the only source that it can come  
14 from.

15 Q. It could come from increased rates, I  
16 suppose?

17 A. Yes, it could come from continuous increased  
18 rates on commodities, but I think that this would  
19 obviously do much more harm to Canadian industry gener-  
20 ally than if the loss or deficit were borne by the  
21 federal government. This industry cannot withstand  
22 any more horizontal increases on its commodities.

23 Q. On page 16, in conclusion No. 2, you refer  
24 to uniform horizontal increases as having aggravated the  
25 disadvantage already suffered by long-haul shippers in  
26 this industry. You say:

27 "It is respectfully submitted, therefore, that the  
28 products of the granite industry be exempted from  
29 future straight horizontal percentage increases."

30 I take it from what you have already said  
that any future increases on this traffic should be in







1  
2 straight cents per hundred pounds, is that right?

3 A. Yes.

4 Q. Conclusion No. 3 is:

5 "That so-called 'import rail rates' for foreign  
6 granite products i.e. preferential rates for over-  
7 seas goods arriving at ocean ports for inland destin-  
8 ations be abolished."

9 Should this apply only to foreign granite  
10 products or should it apply generally to all import goods?

11 A. Of course, we are concerned primarily with  
12 the products of this industry but we feel that it should  
13 be applied to all products generally.

14 MR. COOPER: That is all. Thank you,  
15 Mr. Awada.

16 CROSS-EXAMINATION BY MR. HUME:

17 Q. Mr. Awada, you might remember from when we talked  
18 last in Montreal that I represent the Canadian Trucking  
19 Association, and at that time you were good enough to  
20 give the Commission some information with respect to  
21 the length of haul. Since we were in Montreal the  
22 research staff of this Commission has requested the  
23 people I represent and me to provide as much information  
24 as possible on this subject. I wonder whether you would  
25 be good enough to let me ask you one or two questions  
26 arising out of your brief, on page 9.

27 -

28

29

30 -





1  
2 Q. You told my friend, Mr. Cooper, that 90  
3 per cent of the finished products going to Ontario and  
4 Quebec building sites moved by truck. Could you assist  
5 us by indicating the maximum length of haul that that  
6 would involve.

7 A. The maximum length - I do not believe I  
8 understand the question - the maximum length of haul of  
9 shipment from our plants?

10 Q. To a building site in Ontario or Quebec?

11 A. The maximum points would be from Beebe to  
12 Sarnia and from Lake St. John to Windsor.

13 Q. I do not know the mileage, I do not know  
14 where Beebe is.

15 MR. SINCLAIR: It is right near the border.

16 MR. THOMPSON: Approximately 750 or 800 miles.

17 MR. HUME: Q. So the maximum haul is somewhere  
18 between 700 and 800 miles?

19 A. Yes, approximately.

20 Q. And now, in the west, you have described  
21 your problem that the American processor is using truck  
22 and you underline the word in paragraph 9 and you indicate  
23 that he is moving his goods into the Canadian market,  
24 a distance of around 600-odd miles. In your explanation  
25 of that you volunteer the fact, or somebody did, that they  
26 were paying a rate of \$19.00 a ton. I think Mr. Sperling  
27 gave that figure. Now, I did a little bit of arithmetic  
28 very quickly and if you divide 625 miles into \$19.00 it  
29 comes to 3 cents a ton. Is that, Mr. Awada, the rate  
30 that your American competitors are paying generally to  
move their goods?







1  
2 MR. SINCLAIR: That is funny arithmetic - "ton"  
3 you said.

4 MR. HUME: Q. Before you answer it, as I  
5 understand it they are paying \$19.00 to move their ton  
6 from St. Cloud, Minnesota, into Regina.

7 MR. G. SPERLING: To Winnipeg, 380 miles.

8 MR. HUME: Well, I misunderstood your figures,  
9 dividing 19 into 380 miles comes to a greater amount,  
10 but whatever the arithmetic is, is that generally a  
11 standard rate that your American competitors are paying?

12 MR. C. SPERLING: It is based on five cents  
13 per mile top, but I am pretty sure that the people who  
14 transport it do not even use trucking companies but their  
15 own trucks and for that we now have proof, from St. Cloud,  
16 Minnesota, into Saskatchewan without a Saskatchewan  
17 licence. I do not think they pay the \$2200.00 licence.

18 MR. HUME: So the producer in St. Cloud is using  
19 his own truck. Have any members of your association  
20 approached the Quebec Trucking Association or the Canadian  
21 Trucking Associations or any truck operator to see  
22 whether it is possible to provide a movement from Stan-  
23 stead to Regina by truck?

24 MR. SINCLAIR: Against the railway which is  
25 less than two cents a ton mile?

26 MR. C. SPERLING: We want to stay good friends  
27 with the railways, you can straighten it out between your-  
28 selves.

29 MR. SINCLAIR: If they can do it at the rate  
30 you now have, we would be glad to give it to you.

MR. HUME: Has any approach been made to see





1  
2 whether or not any rate can be worked out to move this  
3 by highway either using your own trucks or a commercial  
4 trucking concern.

5 A. I think that assumes a fundamental question,  
6 is it possible to transport this product from eastern  
7 Canada.

8 THE CHAIRMAN: Well, the question has been asked,  
9 what is the answer?

10 MR. HUME: Can we assume it is possible?

11 MR. G. SPERLING: We have found it uneconomical  
12 to move our product over longer distances than 800 to  
13 900 miles by truck.

14 MR. HUME: What you are saying is that the  
15 economical limit of hauling granite is 800 miles to 900  
16 miles?

17 MR. G. SPERLING: That has been our experience.

18 MR. HUME: Q. It is physically possible, I  
19 suppose you will agree, if you can move it 800 miles  
20 you can move it 3000 miles if you get the rate?

21 A. Yes, if we ever see the day which we  
22 probably will in the near future, that trucking facilities  
23 will be able to accommodate the products of this industry  
24 at a more economic rate, then the business will go to the  
25 trucking industry.

26 Q. Then my next question is, if you can  
27 answer this for us, this American competition you are  
28 getting in the west, whether they are using their own truck  
29 or a commercial truck, the principle is the same, what  
30 would be the maximum length of haul that your American  
competitors are using the trucks?







1  
2 A. The maximum length of haul of our American  
3 competitors is between 600 to 700 miles.

4 Q. May I ask you this: If you are asked to  
5 tender on a job in Edmonton, then you are in the same  
6 position as your American competitors in that they cannot  
7 use their own trucks that far? You are nodding your head  
8 and the reporter cannot get that down so say "yes" or  
9 "no".

10 MR. G. SPERLING: I would say in Edmonton and  
11 Calgary the thing is about even, in other words, our  
12 freight rate to Calgary and Edmonton is about equal to  
13 the truck rate that our Minnesota competitors have to  
14 pay.

15 MR. HUME: May I ask you this question that  
16 flows from that: If your competitor in St. Cloud,  
17 Minnesota was prohibited by some regulation from using  
18 his own truck and had to use the rail facilities, would  
19 you still not be at a disadvantage?

20 MR. G. SPERLING: Yes.

21 MR. HUME: Thank you, sir.

22 THE CHAIRMAN: Mr. Doherty?

23 MR. DOHERTY: My name is Doherty and I am  
24 appearing today on behalf of the province of Saskatchewan.  
25 I first wish to compliment you on the brief that you have  
26 brought before the Commission and on your presentation.  
27 I think it speaks very well for your industry that you  
28 should have taken the time and effort to prepare your  
29 brief and to come here with your associates and present  
30 evidence. I find in checking my notes that the matters  
I had planned to speak to you about have been largely





1  
2 answered in either your direct evidence or the cross-  
3 ~~ex~~amination that preceded my opportunity to speak to  
4 you. I, therefore, have no questions. I do wish to  
5 say that I hope that the result of your representation  
6 on behalf of your industry may result in an improvement  
7 in your situation and, if possible, the regaining of  
8 some of the markets in western Canada.

9 THE WITNESS: I should like to thank the  
10 attorney for the province of Saskatchewan on behalf of  
11 the granite industry for his very kind remarks.

12 THE CHAIRMAN: Mr. McDonald?

13 MR. McDONALD: I have no questions, Mr.  
14 Chairman. Mr. Cooper has covered all the points I have  
15 in mind. Mr. Sinclair has some questions, I think, and  
16 I do not want to duplicate them.

17 CROSS-EXAMINATION BY MR. SINCLAIR:

18 Q. Mr. Cooper left one matter outstanding  
19 and suggested we might cover that and that was the  
20 question of the application of the Bridge Subsidy to  
21 certain movements in the granite industry. During the  
22 noon recess I spoke to Mr. Thompson and I gave him the  
23 tariff numbers and the rates. He did not recognize,  
24 I think it would be correct to say, that the rates were  
25 calculated on the Bridge subsidy. I gave him the  
26 tariff numbers and for the record, it is CFA 76C and it  
27 is applicable to these rates that are moving. These are  
28 specific commodity rates and the Bridge Subsidy applies  
29 on traffic insofar as it is applicable under tariff  
30 CFA 76C. I do not think it needs cross-examination, it







1  
2 can easily be checked by the Board. I have given them  
3 the information.

4 A. We did not recognize it as a bridge subsidy,  
5 we know it under the tariff number.

6 MR. THOMPSON: Before lunch Mr. Awada said  
7 he had never heard of the Bridge Subsidy, but if someone  
8 had said it was 76B revised to 76C we would have known.

9 MR. SINCLAIR: Q. Mr. Awada, if any question  
10 I ask you, you would like to direct to one of your associ-  
11 ates, then that would be very much in order. The next  
12 question I have should be directed to Mr. Sperling as  
13 he dealt with it specifically in relation to a question  
14 put by my friend Mr. Cooper. This has to do with page  
15 10 of your brief and your discussion with Mr. Scully.

16 I suggest what you had with Mr. Scully was a  
17 general discussion about the problem of rates in relation  
18 to the value of your commodity and specifically as to the  
19 proportion that freight rates were of the value of your  
20 product. That is what you were talking about, how high  
21 freight rates were in the value of your commodity as  
22 compared to other things.

23 MR. C. SPERLING: In our discussions they  
24 were not about value of the materials to be transported  
25 but I brought it to his attention why we have to pay double  
26 freight over a foreigner who comes to British Columbia.

27 MR. SINCLAIR: Q. Nothing about the value  
28 factor, that is a very important one for further dis-  
29 cussions?

30 A. No, and they did not believe it. Unfor-  
tunately Montreal is only open for half a year as a port





1  
2 and we have only three sailings to Vancouver. However,  
3 I tried it for the first time in this industry, I threw  
4 the stuff into a boat in Montreal and shipped it through  
5 the Panama Canal but it cost me \$35.00 a ton and you  
6 are \$72.00. Without any further application on my part  
7 the railway came to me and said "Why? Let's be good  
8 friends". I said, "Sure, fine", but why that was refused?  
9 It made sense when I made it and came to you.

10 Q. Not to me, to the Canadian Pacific, because  
11 if you came to me you would always get the best deal I  
12 could make. Now, Mr. Sperling, there is one other thing  
13 I wanted to ask you. Do you know that when a basic com-  
14 modity such as coal was moving beyond its economic limits,  
15 such as coal from the maritimes to central Canada and  
16 in these circumstances the government, then recognizing  
17 that there is economic limits to the transportation of  
18 some of these commodities, makes up its mind to deliver  
19 it, in a freight subvention, by giving the industry  
20 certain money to enable it to ship beyond its economic  
21 limit, you know that is a fact?

22 MR. C. SPERLING: Yes.

23 MR. SINCLAIR: And that is what Mr. Scully,  
24 I think, was telling you, was it not?

25 MR. C. SPERLING: Yes.

26 MR. SINCLAIR: Page 5, this has to do with a  
27 little matter I would like to deal with to assist the  
28 Commission a little bit in regard to this matter of  
29 horizontal increases. Mr. Awada and Mr. Sperling,  
30 there are some people who look upon the Turgeon Commission  
report on this matter as a source document and there are







1  
2 others who go after that document where it was attempted  
3 to be put into practical application. I wondered if  
4 you, Mr. Awada, after having read the Turgeon Commission  
5 report on horizontal increases, did carefully read the  
6 judgment of the Board of Transport Commissioners 1952  
7 68CRTC273, that is the 17 per cent judgment, and partic-  
8 ularly this statement, and I am reading from page 11:

9 "Shippers or organizations representing shippers  
10 must now know whether or not they consider they  
11 have been unjustly discriminated against by reason  
12 of freight rate increases which have taken place in  
13 recent years, and if so without awaiting any current  
14 or possible future hearings they should avail them-  
15 selves of the recourses and remedies which are open  
16 to them, namely, to place their grievances first  
17 before the railway concerned and later if they  
18 think fit, make an application to the Board. Out of  
19 seven applicants for exceptions who were heard  
20 during this case, six were unaware of the remedies  
21 above-mentioned which were open to them."

22 Do you remember reading that?

23 THE WITNESS: Mr. Chairman, I believe we pointed  
24 out earlier that the Association has only been active  
25 for a period of one and a half years. We will assure you,  
26 Mr. Chairman, that our next step will be to place our  
27 application before the Board of Transport Commissioners.  
28 We are not here attempting to request any remedies which  
29 do not come within the scope of reference of this  
30 Commission. Most of our remarks are directed to the  
fact that the Board as a whole must adopt, in our opinion,







1  
2 a different method for establishing freight rate increases  
3 in the future since the present method is much too harmful  
4 and causes too much prejudice to the various industries  
5 in Canada. One of the fundamental rules in law is that  
6 each party must be heard, audi alterem partem. I think  
7 I am right in saying in the past the Board has not  
8 ensured the persons of the various bodies who might be  
9 affected by any one of their decisions, the Board of  
10 Transport Commissioners sits on an application from the  
11 railways, it will hear the railways and if someone else  
12 cares to be present they will hear the individual or the  
13 association. If no one is present the various associations  
14 are not called. There is no method under our present  
15 structure whereby the different parties, the different  
16 associations and industries that will be affected by the freig  
17 rate structure are called to air their grievances before  
18 any decision is made.

19 MR. SINCLAIR: Q. Mr. Awada, it has been said  
20 many times over the last number of years, and I wonder  
21 if you have ever heard it, that any shipper who feels  
22 that he has a grievance that the Board of Transport  
23 Commissioners will have to deal with, that it thought  
24 the rate was unjust and unreasonable, all they had to  
25 do was drop a postcard to the Board. Did you ever hear  
26 that expression?

27  
28  
29  
30 (Page 9520 follows)





1 A. I have never heard it in quite those  
2 simple terms, but we will assure you that we will make  
3 the necessary application before the Board of Transport  
4 Commissioners as soon as we are through with this par-  
5 ticular hearing.

6 Q. And you know, do you not, Mr. Awada, that  
7 all rates must cover their variable cost and make some  
8 contribution to overhead?

9 A. Yes, but we contend this is not what is  
10 being done at present.

11 Q. Do you know what your rate is worked out  
12 on a ton mile from Montreal to Winnipeg -- let us take  
13 Montreal to Regina: I have made the calculation here,  
14 and it is 1.25 cents per ton mile, 60,000 pounds;  
15 55.2 cents per car mile.

16 COMMISSIONER MANN: Do you have the rate  
17 there, Mr. Sinclair?

18 MR. SINCLAIR: Yes, 1.57.

19 THE WITNESS: Yes, we are aware of that.

20 MR. SINCLAIR: Q. And when you move by  
21 truck, the average, say, for 300 miles, a 15-ton load  
22 on a truck, you would pay about 5 to 6 cents per mile;  
23 is that correct?

24 MR. GLAY SPERLING: The truck haul for us has  
25 a certain advantage. We load it directly to our plant,  
26 whereas with a rail siding you have to move it. We can  
27 deliver it back to the sites and lift it off with the  
28 same derrick.

29 Q. But would the rate be between 5 and 6  
30







1 cents per ton mile?

2 MR. GLAY SPERLING: Correct.

3  
4 ---Short recess.

5 MR. SINCLAIR: Q. There are just two addi-  
6 tional points that I felt might be of assistance to the  
7 Commission in regard to this matter, and that is, Mr.  
8 Awada, numerous industrialists have made an error of  
9 looking upon rates as establishing between different  
10 shipping points competitive rate relationships, and  
11 haven't looked upon them as merely rate differences:  
12 do you look upon the differences in rates between  
13 shipping points as establishing industrial rate re-  
14 lationships?

15 A. Well, the effect of it is. We can  
16 only look at the effect.

17 Q. So, therefore, you look upon them as  
18 competitive rate relationships?

19 A. Well, we have to look at them in that light.

20 Q. In the Gordon Report which you referred to  
21 in this portion of the traffic covering 85 per cent of  
22 the overheads -- and that is referred to at page 15 of  
23 your brief -- that was dealing with commodity classifi-  
24 cations including traffic moving at competitive rates,  
25 agreed charges, specific commodity rates, commodity  
26 rates and excluding from the calculation basic commodities  
27 that were low rated; it was not dealing with rates, but  
28 classifications of commodities. Did you know that?

29 A. From my reading of page 272 of the Gordon  
30





1 Report, it states:

2 "These burdens on the railways force them  
3 to try to recover their overhead costs from a  
4 comparatively small proportion of their total  
5 traffic. They claim that some 80 per cent to  
6 85 per cent of their overhead comes from the  
7 class of traffic in question."  
8

9 So, if I read that sentence as it is written,  
10 I take it to mean that 80 to 85 per cent of the overhead  
11 costs are recouped from a comparatively small portion of  
12 their total traffic.

13 Q. That is the point you are making?

14 A. Yes.

15 Q. The point you are making is that certain  
16 classifications of traffic are carrying the larger pro-  
17 portion of overheads rather than any rate relationships?

18 A. Yes.

19 Q. It is commodity classification rather  
20 than rate classification you are dealing with?

21 A. Yes, the effect of it is, as you say.

22 Q. The granite industry of Canada -- is it in  
23 any way competitive with limestone and building facing --  
24 for instance, tyndal stone from Garson, Manitoba; is  
25 that a competitor with granite?

26 A. Completely individual and separate indus-  
27 tries.

28 Q. And substitute products -- are they com-  
29 petitive with granite?

30 A. Well, artificial stone would be.





1 Q. Well, when a man is going to build a  
2 building, if he is going to face it with stone, he  
3 has tyndal stone, limestone, granite and maybe some  
4 banks might even face it with marble?

5 A. Yes, sir.

6 Q. They could all be used as facing?

7 MR. GLAY SPERLING: Marble, with a few ex-  
8 ceptions, cannot be used for facing in our country due  
9 to the climatic conditions; marble will eventually  
10 fall apart, and some marbles, not so eventually, will  
11 not survive more than two winters in our climate.  
12 Limestone cannot be used at street level at all; lime-  
13 stone can never be used as a base coursing material.  
14 Base coursing material -- it is always polished granite  
15 if it is natural stone. Naturally, it can be brick, if  
16 it is concrete.  
17

18 Q. And tyndal stone -- do you know the  
19 Hudson's Bay store in Winnipeg?

20 MR. GLAY SPERLING: Yes.

21 Q. It is faced with tyndal stone?

22 MR. GLAY SPERLING: Yes.

23 Q. So that could compete with granite?

24 MR. GLAY SPERLING: We do not consider our-  
25 selves ever in competition with limestone.

26 Q. You don't. Basically, then, in so far  
27 as granite only competes with granite, your disability  
28 in the western market is geographic; it is the distance  
29 you are from the market?

30 MR. GLAY SPERLING: Correct.







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Awada, cr-ex  
(Sinclair)

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1 Q. What your big problem is, is how do you  
2 overcome distance?

3 MR. GLAY SPERLING: Yes, with one exception:  
4 if you will refer to No. 4 of our conclusions, we  
5 mention artificial granite or artificial stone and  
6 imitation granite or stone used in building.

7 Q. With that exception?

8 MR. GLAY SPERLING: With that exception.  
9 These we compete with at the present moment.

10 Q. And so, therefore, you are met with the  
11 proposition of meeting the costs at your point of  
12 quarrying, your costs at the point of polishing, and  
13 the cost of transportation in the light of the value of  
14 your product at the sale locality -- the market?

15 MR. C. SPERLING: Yes.  
16  
17  
18  
19  
20  
21  
22  
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30





1 Q. And you would agree, I am sure, that the  
2 value of your product has an effect and should have an  
3 effect on the freight rate?

4 MR. GLAY SPERLING: Yes.

5 Q. And the cost of movement would be one  
6 factor, and there may be damage and claim factors. All  
7 those factors should be taken into account?

8 MR. GLAY SPERLING: Yes.

9 THE CHAIRMAN: Anything else you want to add,  
10 Mr. Awada?

11 MR. AWADA: Yes, Mr. Chairman. Just before  
12 the lunch recess I was requested to check into the  
13 figures I mentioned, and I should like to say that the  
14 figure as we have it in the brief is correct, 157.3.  
15 This is the way we had originally calculated it, and  
16 yesterday evening one of the witnesses, Mr. Chairman,  
17 recalculated it and it came out to 185.6.

18 THE CHAIRMAN: Well, it is rather compli-  
19 cated because of the interim changes made.

20 MR. AWADA: Yes.

21 THE CHAIRMAN: I can quite see where you  
22 made the mistake.

23 MR. AWADA: Yes. Therefore what cost a  
24 dollar for transportation in 1948 now costs the industry  
25 \$2.57.

26 THE CHAIRMAN: Less the roll-back?

27 MR. AWADA: Yes, less the roll-back.

28 THE CHAIRMAN: And the bridge?

29 MR. AWADA: Yes, and the bridge. I haven't  
30 calculated what that would come to. Yes, minus







1 the bridge and the roll-back.

2 Another point -- I have been trying to locate  
3 the basis for the figure in my brief on the United  
4 States railroads. I haven't been able to find it.

5 THE CHAIRMAN: Well, if you find it you can  
6 let us know.

7 MR. AWADA: Yes, Mr. Chairman. It was from  
8 either the Gordon Commission or Mr. Lessard's Study or  
9 the last Turgeon Report.

10 This concludes evidence and argument on  
11 behalf of the Association, and on behalf of the industry  
12 I should thank the honourable members of the Royal  
13 Commission so being so patient with us.

14 THE CHAIRMAN: Well, we were all very inter-  
15 ested, and there may be some questions which the Com-  
16 mission may wish to ask.

17  
18 BY COMMISSIONER GOBEIL:

19 Q. Mr. Awada, I wish to congratulate your  
20 Association and yourself on the brief. It is most  
21 informative and it illustrates the type of work and the  
22 type of problem which is facing a Royal Commission in  
23 our democratic world.

24 You illustrate by two examples some phase of  
25 the transportation problem. One you illustrate well, I  
26 think, the contract which a member of your Association  
27 lost in Regina, and it was lost for some \$1600 to an  
28 American firm. That is approximately 5 per cent  
29 difference. You claim that this is due to high freight  
30 rates?





1 A. Yes, sir.

2 Q. Well, I presume it would be hard to prove  
3 that you are wrong. But suppose I am a representative  
4 of your Association and I go to Mr. Coyne of the Bank  
5 of Canada and I tell him that we lost this contract on  
6 account of the artificially high value of our Canadian  
7 money, and we lost it on account of the 5 cents that  
8 the Americans get when they quote here. How could  
9 you prove to me that it is not due to the high value of  
10 our Canadian dollar? That is 5 per cent, too.

11 A. Well, that is a very good question, Mr.  
12 Commissioner. But with our experience with western  
13 contracts, I am afraid we are left with no alternative  
14 but to conclude that if the freight rates were a little  
15 more reasonable for a commodity which is extremely heavy  
16 in weight but cheap in value we would have possibly, and  
17 in certain cases most assuredly, won these contracts  
18 for our members. Just offhand, I can list six recent  
19 jobs that were lost. I believe we already listed some:  
20 The Great West Life, Winnipeg; Office Building, Manitoba,  
21 DPW, Winnipeg; St. Andrew's College, Saskatoon; Bank  
22 of Nova Scotia, Regina; and we did lose the Monarch  
23 Life job, which is perhaps one of the largest jobs to  
24 come out of western Canada for granite.

25 Q. To an American firm?

26 A. To an American firm, because we cannot  
27 compete with them because of the large distances we have  
28 to come, and no consideration is being given to the  
29 fact that we are at a terrific disadvantage with our  
30







1 product since we have to ship it over an extended mileage  
2 area. An increase of 10 per cent affects a granite  
3 producer much more severely than a jeweller, much more  
4 severely than a firm which produces watches or produces  
5 anything which is light in weight and high in value.  
6 We are at the opposite extreme; we have got a product  
7 which is heavy. A cubic foot weighs 220 pounds, and  
8 it varies between \$18 to \$25 per cubic foot, weighing  
9 220 pounds approximately. This is the problem we are  
10 confronted with.  
11

12 Q. In the example you gave it just happened  
13 that it was the biggest?

14 A. Yes; and I believe we quoted the letter  
15 from the Minister of Public Works which stated that  
16 anything over 10 per cent he would consider too expensive  
17 for the Government of Saskatchewan to use, and on that  
18 basis the contract went to Cold Spring Granite.

19 Q. You lost this for \$1600?

20 A. Yes.

21 Q. That is 5 per cent?

22 A. Yes. But the freight differential ---

23 Q. What you want is lower freight rates?

24 A. Yes, this is the view of our submissions.

25 Q. Are you asking this Commission if something  
26 could be done about it because it may not be in the terms  
27 of reference?

28 A. Yes.

29 Q. Or the Board of Transport Commissioners  
30 to give you a lower rate?







1           A.   No, we are not requesting this Commission  
2 to ask the government on our behalf for lower rates;  
3 that is for the Board of Transport Commissioners. We  
4 will request it from the Board of Transport Commissioners,  
5 but from this honourable Commission we would request  
6 that in future a different method of increases be  
7 devised. In other words, I would go so far as to say  
8 that horizontal increases be prevented, even going to  
9 the extent of having legislation to that effect.  
10

11           THE CHAIRMAN: You want relief on principle.

12           THE WITNESS: Yes, on principle, for our  
13 industry in particular and for all industries which  
14 suffer from the handicap which we suffer from, namely,  
15 wher the product is heavy and ---

16           THE CHAIRMAN: You realize the railways must  
17 run?

18           THE WITNESS: Yes, we realize they must run  
19 and have to make enough money to stay in business.

20           COMMISSIONER GOBEIL: Q. After the 17 per  
21 cent increase you wouldn't have come to the Board of  
22 Transport Commissioners, the regulatory body -- you  
23 wouldn't have had the 20 per cent reduction. You would  
24 have been happy because of the 20 per cent?

25           A. That is quite a lot.

26           Q. It seems to me we were told that there  
27 should be more freedom left and less control by the Board,  
28 and it would seem that if one wanted to advocate that  
29 freedom of action one might use your case of the 17  
30 and the \$42?





1  
2 A. We agree that individual bargaining may  
3 very often bring about desirable results, sometimes  
4 results which are more desirable than if one were to  
5 proceed through the normal channels, namely, an applica-  
6 tion before the Board. However, I don't think that we  
7 as an Association agree that the railways should be given  
8 more freedom from the regulations imposed by law. What  
9 we contend is that the present regulations be amended  
10 so that each increase is treated on a commodity basis  
11 and not on a freight horizontal basis.

12 BY COMMISSIONER ANSCOMB:

13 Q. Mr. Awada, I am still a little interested  
14 in Regina. I cannot quite fathom this government  
15 problem. Do I understand you had a letter from the  
16 Minister of Public Works saying that if it was over  
17 10 per cent he couldn't consider it at all?

18 A. Yes.

19 Q. But yours was under 10 per cent?

20 A. No.

21 Q. You said you had a tender for \$30,000 and  
22 there was a difference of \$1600.

23 MR. GLAY SPERLING: It was under 10.

24 COMMISSIONER ANSCOMB: Q. Mr. Awada, never  
25 mind whether it was over or under. I understood you  
26 to say also that when he called for tenders he stipulated  
27 American granite?

28 A. Yes.

29 Q. Why did he say that?

30 A. We really don't know, sir.







1 Q. Is your labour structure pretty stable  
2 where you are?

3 A. Yes.

4 Q. Supposing you got a reduction in rates.  
5 Assuming that the railways suffered that, and that means  
6 suffering to them from a money viewpoint, and your labour  
7 goes up. It is neutralized and you are back where you  
8 were.

9 MR. THOMPSON: I believe all of us follow  
10 the same system when we calculate a job on the basis of  
11 manufacture at our plants. With that figure finalized  
12 at the bottom, then we apply whatever figure for haulage,  
13 so any reduction that may be obtained freightwise would  
14 mean a reduction of the total.

15 Q. If it was 10 cents and your labour was  
16 a dollar and your freight is reduced to 9 cents to-  
17 morrow and your labour goes up to 11 cents -- assume  
18 that is done -- you would be no better off?

19 MR. THOMPSON: No, but one would not be the  
20 cause of the other.

21 Q. But the effect might be the same?

22 MR. THOMPSON: Not necessarily.

23 Q. Mr. Awada, from a duty viewpoint -- I am  
24 going to use a word which is pretty silly because I  
25 don't run your business -- if it was doubled, what  
26 effect would it have on the Canadian industry?

27 A. If we could double the duty? It would  
28 have a good effect.

29 Q. Would it stop it coming in?  
30





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TORONTO, ONTARIO

Awada  
(Anscomb)

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1                   MR. GLAY SPERLING:   We are tied up with GATT,  
2 the agreement on tariffs and trade, and if one of the  
3 42 nations move with one item, other nations move with  
4 17 items.  
5  
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1  
2 MR. HUME: Before Commissioner Mann begins  
3 his questions, and perhaps this may be of some assistance  
4 to Commissioner Anscomb, I may say that the same ques-  
5 tion he has asked the witness has occurred to me on  
6 two or three occasions and in other circumstances I  
7 have recalled that construction contracts have specified  
8 an American type of product, and I have asked the same  
9 question in the past, and once or twice I have received  
10 the answer which is -- as a matter of curiosity -- that  
11 a certain stone is specified because a particular  
12 architect likes its colour or texture. The architect  
13 is an artist and does not care where it comes from and  
14 is not concerned with matters of nationalism, and so on.  
15 That may be a partial answer, but that has some times  
16 occurred in my experience.

17 COMMISSIONER ANSCOMB: I think you are right.

18 THE WITNESS: I think the letter also men-  
19 tions attractiveness of the stone. I was wondering  
20 whether it was thought by the people who were putting  
21 up this building that that stone was more attractive  
22 in appearance and therefore it was specified.

23 THE CHAIRMAN: You would not deny that, I  
24 suppose?

25 THE WITNESS: To practise as an architect  
26 in Canada you have to be a member of the Royal Architec-  
27 tural Institute of Canada. The Royal Architectural  
28 Institute of Canada has a statement of policy of which  
29 the second paragraph states that Canadian materials  
30 should be used wherever possible to the advantage of







1 Canada's natural resources. A very similar statement  
2 appears in the statement of policy of the Canadian  
3 Construction Association, to which practically every  
4 general contractor in Canada belongs. Naturally some  
5 architects require or like a foreign stone. We have  
6 in many cases been able to say to architects, "Look  
7 here. Here is a Canadian stone. We feel this is  
8 quite nice." Perhaps we can give them two or three  
9 different ones. I would say that in the vast majority  
10 of cases we have been able to convince the architects  
11 that a Canadian material is of equal value, of equal  
12 attractiveness.

13  
14 THE CHAIRMAN: Sometimes you cannot?

15 THE WITNESS: Sometimes we cannot.

16 BY COMMISSIONER MANN:

17 Q. I suppose this really comes down to  
18 what is known as de gustibus non est disputandum?

19 MR. C. SPERLING: Correct.

20 Q. Maybe it would be an idea if we provided  
21 for an appeal from architectural taste decisions to  
22 the National Gallery?

23 MR. C. SPERLING: Mr. Mann mentioned de  
24 gustibus non est disputandum, and this leads me to think  
25 of the fact that the same companies -- let us speak  
26 of the big ones, Union Carbide, for instance -- use  
27 for their main buildings in New York and have chosen  
28 under the direction of their advising architects our  
29 Canadian material. This Canadian material goes as  
30 rough material to the United States and is produced in





1 the United States. The same Union Carbide, with its  
2 head offices in Toronto, specified our material too  
3 and threw it out and used instead of it -- of course,  
4 it would be produced in Canada -- imitation stone in the  
5 same colour produced in Chicago. There is

6 the trend. If we were to think the same  
7 way in Canada as Americans think in America, we would  
8 not have any complaints.

9 MR. MANN: Q. Mr. Awada, on those movements  
10 -- and I am a little confused about some of the evidence  
11 that was given -- I understood at first that truck  
12 movements were made by a St. Cloud manufacturer throughout  
13 all of western Canada, but later I understood, I think,  
14 in response to a question from Mr. Cooper, it was stated  
15 that the St. Cloud manufacturer ships by rail to, say,  
16 Edmonton, Calgary and west.

17 MR. GLAY SPERLING: I would say that he does  
18 not ship at all beyond Saskatoon. I think he goes to  
19 Saskatoon by truck and he gives it up. I have never  
20 heard of a job that went as far as Medicine Hat, cer-  
21 tainly nothing into Alberta at all.

22 Q. So when we are talking about the western  
23 market in this respect we are really talking about the  
24 market east of Alberta at the moment in relation to the  
25 competition from St. Cloud?

26 MR. GLAY SPERLING: Correct.

27 Q. But you do have competition further west,  
28 at the coast, from European countries?

29 MR. GLAY SPERLING: Correct.  
30







1 Q. But there is a no man's land in between  
2 that is still there?

3 MR. GLAY SPERLING: Very well understood.  
4 Yes, sir.

5 Q. When the St. Cloud manufacturer ships  
6 into Saskatchewan and Manitoba he never ships by rail,  
7 does he?

8 MR. C. SPERLING: No.

9 Q. So that neither the American nor the  
10 Canadian railways get one cent of revenue from those  
11 shipments?

12 A. That is true.

13 Q. Have you ever approached the railways with  
14 regard to this matter, pointing out to them that perhaps  
15 there was a case of import competition which warranted  
16 some consideration on their part? Have you ever put  
17 this matter before the railways on that basis?

18 MR. C. SPERLING: Do you speak exclusively of  
19 Alberta?

20 Q. No, of Saskatchewan and Manitoba?

21 A. No, we have never done this as yet.

22 Q. Now I have another question here. On  
23 page 17 of your brief, in paragraph 7, you suggest:

24 "The rate for polished stones less than  
25 two inches in thickness . . ."  
26 should be on the same basis as other granite over two  
27 inches in thickness. What I would like to ask you is:  
28 what is the experience of your industry with regard to  
29 claims on shipments of granite of less than two inches  
30





1 in thickness as compared with shipments over two  
2 inches in thickness?

3 A. I believe that Mr. Sperling would be in  
4 a better position to answer this than I.

5 MR. C. SPERLING: We wanted to leave the two  
6 inches out again. Originally this clause for stones  
7 less than two inches in thickness was brought in by me  
8 in cooperation with the railways because we were flooded  
9 from overseas with thin stuff which came very cheaply  
10 into the country, and on top of it the people had the  
11 advantage of the import rates with the railways. I  
12 said I would bring this clause in.

13 Q. But now you would like it knocked out  
14 again?

15 MR. C. SPERLING: The railway did not insist  
16 on protecting us. It did not have any benefits from  
17 it. I think it can be straightened out with the rail-  
18 ways, even without any assistance. I hope so.

19 Q. That is a delightful remark.

20 MR. GLAY SPERLING: This two-inch matter was  
21 never considered, as regards the breakage proposition.  
22 It has never had anything to do with breakage. Our  
23 breakage experience is very small indeed, either on two-  
24 inch or one-inch thickness.

25 Q. That leads me to the next point. You  
26 made a shipment once to Vancouver by Saguenay Steamships,  
27 I suppose?

28 MR. C. SPERLING: Yes.

29 Q. In making those shipments did you have to  
30





1 undertake any special crating which was in excess of the  
2 packing that you require for rail?

3 MR. C. SPERLING: No.

4 Q. It was the same kind of packing?

5 MR. C. SPERLING: Yes.

6 Q. Is your product susceptible to carriage  
7 by water, by, say, Canada Steamships Line to the lake-  
8 head?

9 MR. C. SPERLING: Yes.

10 Q. Have you ever done that?

11 MR. C. SPERLING: No.

12 Q. Have you ever thought about doing that?

13 MR. C. SPERLING: Yes.

14  
15 BY COMMISSIONER PLATT:

16 Q. Mr. Awada, on page 13 of your brief you  
17 make the recommendation that there should be easier  
18 line abandonment in Canada. You say:

19 "Line and service abandonments by railways  
20 have not been looked upon with favour by the  
21 Board of Transport Commissioners."

22 That would indicate to me that you believe the Board  
23 of Transport Commissioners are responsible for the lack  
24 of line abandonments. In one of the quotations that  
25 was given today, either by you or by someone else, from  
26 the Gordon Commission Report, it says:

27 "One wonders also if the total mileage of  
28 rail line abandoned -- 114 miles in 1955 --  
29 indicates that the railways are pressing as  
30 vigorously as they might for the elimination







1 of unprofitable services."

2 I wonder whether you have gone into this  
3 matter sufficiently to have made a study of the total  
4 applications and the number accepted, and those turned  
5 down?

6 A. No, sir, I have not made an exhaustive  
7 study of the applications for line abandonment, but I  
8 believe that the quotation as to the railway mileage  
9 abandonment in the United States is taken from the part  
10 immediately preceding the quotation which you have just  
11 read. Is this from the Turgeon Report?

12 Q. The Gordon Commission Report.

13 A. No, I have not made an exhaustive study  
14 of that.

15 Q. But it is your opinion that the lack of  
16 rail abandonment in Canada as compared with the United  
17 States has had to do with the regulatory body that  
18 was concerned with it?

19 A. All these factors lead one to conclude  
20 that this is perhaps one item which has possibly con-  
21 tributed to the present state of affairs, to the present  
22 freight rate structure. We would recommend this, and,  
23 mind you, we are not pressing for this recommendation  
24 too seriously. We simply state that in our opinion  
25 this factor has contributed to the loss of income, to-  
26 gether with other factors, the fact that the railways  
27 have to absorb some \$70 million a year on grain, the  
28 fact that they are not permitted to abandon railway  
29 lines, or the fact that they are made to submit to very  
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strict and perhaps impossible requirements before they are permitted to abandon railway lines.

COMMISSIONER PLATT: Thank you very much, and thank you for bringing such very interesting witnesses with you.

THE CHAIRMAN: Thank you, Mr. Awada, and thank all the witnesses for coming. We have had a very pleasant day with you.

MR. AWADA: It has been our pleasure, sir.

THE CHAIRMAN: We will adjourn now until ten o'clock on Monday morning, when we will have the Horticultural people and the Traffic League.

---Adjournment.





*See C.P. Magazine*

# ROYAL COMMISSION

ON

## TRANSPORTATION

HEARINGS

HELD AT

OTTAWA

VOLUME No.:

DATE

52

MAY 28<sup>th</sup> 1960

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## ROYAL COMMISSION ON TRANSPORTATION

Proceedings of hearings held in  
the Court Room, Board of Transport  
Commissioners Offices, Ottawa,  
Ontario, on the 28th day of March,  
1960.

### COMMISSION

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Mr. H. Anscomb	Member
Mr. A. H. Balch	Member
Mr. R. Gobeil	Member
Mr. H. A. Mann	Member
Mr. A. Platt	Member

### COMMISSION COUNSEL

Mr. A. G. Cooper, Q.C.,	
Mr. G. S. Cumming	
Mr. H. W. Ellicott	Adviser

---

Mr. F. W. Anderson	Secretary
Major N. Lafrance	Assistant Secretary







Ottawa, Ontario,  
March 28, 1960.

---On commencing at 10.00 a.m.

MR. SINCLAIR: Mr. Chairman, before the proceedings start, I wish to place on the record that Mr. F. S. Burbidge is now associated with me on behalf of Canadian Pacific.

THE CHAIRMAN: Well, we welcome Mr. Burbidge. There is another westerner in the group. You have a great westerner in Mr. Sinclair, I am sure.

Now, I believe we have the Horticultural Council.

SUBMISSION OF

THE CANADIAN HORTICULTURAL COUNCIL

Appearances:

Mr. T. M. Kidd, Chairman of the Transportation Committee, Canadian Horticultural Council.

Mr. M. Latchman, Chairman of the Transportation Committee Canadian Fruit Wholesalers' Association.

Dr. J. F. Brown, Secretary of the Ontario Fruit and Vegetable Growers' Association, Director of the Canadian Horticultural Council.

-----  
MR. KIDD: Mr. Chairman, if it is within the bounds of the procedure, we would like if Dr. Brown could present the submission to the Commission and then possibly if there are questions of a technical nature or something of that kind, I might be permitted to answer them.

THE CHAIRMAN; That will be quite all right.

DR. BROWN: Mr. Chairman, I am presenting the report to save Mr. Kidd for the cross-examination which I





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presume will follow.

Mr. Chairman and members of the Royal Commission on Transportation:

1. This submission is made in behalf of the Canadian Fruit Wholesalers' Association, composed of close to three hundred members engaged in the wholesale distribution of Canadian-grown and imported fresh fruits and vegetables in all ten provinces of Canada; and of the Canadian Horticultural Council, composed of some sixty-two member growing and producing bodies across Canada, including provincial departments of agriculture of seven provinces. A list of members is attached. These two bodies represent all segments of the industry in Canada.

2. These functions of production and distribution are of vital importance to the health and welfare of Canada in supplying those items of diet, which according to all nutritional authorities, are of great value in maintaining and improving the physical well-being of our people.

3. They are likewise of great importance to the economic well-being of a considerable part of our primary agricultural interests engaged in the growing and production of fresh fruits and vegetables.

4. Orderly marketing and distribution produce a reasonable continuity of supply of much variety and attractiveness for consumers on our various markets, with the best return to the growers and shippers.

5. Efficient, dependable and economical transportation is a dominant factor in the processes involved in accomplishing these desired results. It is the connecting







1  
2 link between producer and consumer, and by means of it  
3 all kinds of food raised in different parts of the country  
4 are brought together and made available in local markets.

5 6. Over the years our Canadian railways have  
6 contributed much to the development of this industry, both  
7 in its production and in its distributive phases. It is  
8 common knowledge that the transportation of our commodities  
9 requires more than the mere hauling from one place to  
10 another. Their co-operation has produced specialized  
11 facilities and services which have been of major importance  
12 in the growth of production and distribution. The Can-  
13 adian refrigerator car is an outstanding example.

14 7. Our members feel that financially sound  
15 railways still are essential to our economy as a nation,  
16 and particularly so in our own distribution pattern.  
17 Possibly this is a selfish interest, but we feel the  
18 principle would be acceptable to all. The technological  
19 advances during past years have permitted or created great  
20 changes and improvements in the distribution of fresh  
21 fruits and vegetables so that now these commodities are  
22 available to our people practically all year. From the  
23 national health viewpoint, this is very desirable, but  
24 still greater consumption would be more desirable as the  
25 per capita disappearance does not yet reach recommended  
26 levels.

27 8. Further and continuing technological re-  
28 search in the transportation field is necessary to advance  
29 this objective to the benefit of both grower and con-  
30 sumer, as well as the railways themselves.

9. Within the industry itself there have been





1  
2 tremendous changes in the growing, grading, preparation  
3 for marketing, packaging, distribution facilities, etc.  
4 There has been the production of different varieties more  
5 acceptable to the public, and more suitable for transport-  
6 ation. New growing areas have been opened up which have  
7 contributed much to the volume and variety of supplies.

8 10. There always has been specialized produc-  
9 tion by region, which, coupled with that of these new  
10 districts and the changes and growth in consumptive  
11 areas, affords a considerable potential for the creation  
12 of new traffic, involving longer hauls to distant markets  
within and without Canada.

13 11. Canada Department of Agriculture statistics  
14 for 1958 indicate that approximately 150,000 carloads or  
15 truck equivalents moved to our Canadian markets that  
16 year. Of these 38.4 per cent arrived by truck, as compared  
17 with 36.8 per cent in 1957 and 34.7 percent in 1956.

18 12. Unloads of Canadian or domestic origin ran  
19 about 40 per cent of the above total, but the proportionate  
20 truck movement was appreciably higher, at approximately  
21 60 per cent. This undoubtedly is accounted for by the con-  
22 siderable amount of tonnage moving short distances to  
nearby consuming centres.

23 13. It has been somewhat disconcerting for this  
24 industry which, it might almost be said, has traditionally  
25 been closely associated with railway movement of its prod-  
26 ucts, to see this drift away from rail handling.

27 14. This industry has felt that while these  
28 observations may or may not be pertinent to the specific  
29 terms of reference of your respected body, it was desirous  
30







1  
2 of placing before you these aspects of its position in  
3 relation to the rail transportation and distribution  
4 of its commodities. With due apologies to the railways  
5 for what might be considered gratuitous infringement upon  
6 managerial discretion, it is felt there exists a consider-  
7 able potential for the retention and recovery of existing  
8 available tonnage, and the creation of new business.

9 15. It welcomes the definite information  
10 recently promulgated outlining the establishment and  
11 enlargement by the railways of traffic and marketing  
12 research activities, which respectfully suggests the hopes  
13 that from this will come a specialization in that sphere  
14 comparable to that which obtains in the facilities and  
15 service fields. It is true that ours is a demanding  
16 operation, but specialized handling of all its phases  
17 could produce increased net revenues with corresponding,  
18 however small, lessened necessity for general over-all  
19 increases in rates.

20 16. We have, however, many problems of a mark-  
21 eting and service nature which are pressing for immediate  
22 action. They have been the subject of numerous dis-  
23 cussions at recent annual meetings of both bodies. At  
24 the Canadian Horticultural Council recent annual meeting,  
25 the following resolution was adopted -

26 "WHEREAS opportunities for the increasing of rail  
27 haul revenues are believed to exist in potential and  
28 actual movement of fresh fruits and vegetables within  
29 Canada, and

30 WHEREAS the needs of the horticultural industry inc-  
lude most favourable consideration in the rates and







1  
2 "policies of the rail carriers, particularly in  
3 respect of U. S. competitive and domestic movement of  
4 perishables, and

5 WHEREAS this subject is a highly specialized and  
6 technical field,

7 RESOLVED that the Council request the two national  
8 railroads to have created a separate and special  
9 authority to conduct research into the needs of the  
10 horticultural industry, and competitive factors  
11 relating to the movement of perishables for the  
12 purpose of objectively advising and recommending to  
13 the railroads in respect to specific policy and courses  
14 of prompt action."

15 At the previous annual meeting the following was  
16 adopted -

17 "WHEREAS there have been representations to the  
18 Canadian railways for some years now with respect to  
19 adjustments of rail rates and other matters which  
20 need very quick action on the part of the railways,  
21 and

22 WHEREAS there have been, at various times, meetings  
23 with the railways for various purposes with reason-  
24 ably good results, but which results have been at  
25 times long delayed in effectiveness,

26 RESOLVED that this Council seek the establishment by  
27 the railways of a centralized point of contact with  
28 the objective of over-all specialized and expedited  
29 handling of mutual transportation problems."

30 17. What the industry needs is some channel  
where these problems may be susceptible to immediate action.





1  
2 Ours is a fast moving business and, while opportunity may  
3 exist today for creation or development of traffic, and  
4 solutions for our specific problem, this may have dis-  
5 appeared by tomorrow.

6 18. This is a specialized age and our perishable  
7 products require the attention of specialists from the  
8 railways empowered to take effective and immediate action,  
9 which could solve our problems and produce compensatory  
10 revenues for the railways.

11 19. We do not wish to burden the Commission  
12 with the detailed nature of these problems from coast to  
13 coast. Some are national and some are regional. The  
14 implementation of our recommended procedure would be of  
15 great value to the industry and the railways.

16 All of which is respectfully submitted.  
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THE CANADIAN HORTICULTURAL COUNCIL

MEMBERS - 1960

ACTIVE

REPRESENTATIVE

British Columbia (7)

B.C. Fruit Board

B.C. Fruit Growers Association (2)

B.C. Coast Vegetable Marketing Board

B.C. Interior Vegetable Marketing  
Board

B.C. Tree Fruits Limited

Okanagan Federated Shippers Association

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A.R. Garrish

S.J. Land

Alex C. Hope

L.R. Stephens

R.P. Walrod

K.W. Kinnard

Manitoba (2)

The Gardeners Sales Limited

Vegetable Growers Association of  
Manitoba

Wm. Daman

W.E. Kroeker

Ontario (13)

Ontario Asparagus Growers Marketing  
Board

Ontario Berry Growers Marketing  
Board

Ontario Fruit & Vegetable Growers  
Association (4)

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B.M. Wallace

A. Oughtred

R.H. Rittenhouse

John Reynolds

John F. Brown

Gordon Hunter

W.E. Honsberger

W.C. Nickerson

O.E. Marshall

Morris Darby

C. Nicholson

E.J. Marsh

Quebec (4)

Cooperative Federee de Quebec

Quebec Federation of Vegetable  
Growers

Que. Pomological & Fruit Growing  
Society (2)

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A. Couture

N. April

B. Beaudin

New Brunswick (3)

N.B. Potato Marketing Board

N.B. Fruit Growers Association

N.B. Potato Shippers Association

Alex McIntosh

James McKeague

H.C. Greenlaw

Nova Scotia (2)

N.S. Fruit Growers Association

Scotian Gold Cooperative

R.D. Sutton

A.E. Calkin





Prince Edward Island (3)

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P.E.I. Potato Promotional Committee	A.E. McCardle
P.E.I. Producers Cooperative Association	D.A. MacDonald

National (9)

Allied Florists & Growers of Canada	Paul Angle
Canadian Association of Nurserymen	S. McConnell
Canadian Beekeepers' Council	V. Mesley
Canadian Food Processors Association	P.R. Robinson
Canadian Fruit Wholesalers' Association (2)	W.D. Cumings
	W.S. Cluney
Canadian Mushroom Growers Association	Robt. Flood
Canadian Wine Institute	G.L.W. Bamford
Canadian Wood Products, Limited	J.S. Heaslip

Provincial Departments of Agriculture

Prince Edward Island	S.C. Wright
Nova Scotia	C.M. Collins
New Brunswick	S.F. Clarkson
Quebec	Dr. Bruno Landry
Ontario	D.E. Williams
Manitoba	P.J. Peters
British Columbia	M.M. Gilchrist

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Norfolk Fruit Growers Association	B.M. Wallace
Ontario Food Processors Association	G.R. Matthews
Thompson Wood Products Limited	A.C. Thompson
Campbell Soup Company Limited	A.E. Burt





1  
2 As I mentioned, sir, appended to our submission  
3 is a list of the member bodies of the Canadian Horticul-  
4 tural Council from coast to coast.

5 Thank you very much.

6 THE CHAIRMAN: Mr. Cumming?

7 MR. CUMMING: A few points, Mr. Chairman.

8 CROSS-EXAMINATION BY MR. CUMMING:

9 Q. I wonder, Dr. Brown, or perhaps Mr. Kidd,  
10 if you could give the Commission some idea of just what  
11 the activities of the Canadian Horticultural Council are?  
12 What does it do and how does it function?

13 A. The Canadian Horticultural Council was  
14 formed in 1922 as a means of bringing together all of  
15 the divergent viewpoints of the fruit and vegetable  
16 organizations from coast and coast and of the allied  
17 industries, the packaging industry, the nursery industry,  
18 the processing industry and so on, and in this regard  
19 we feel we have an organization which ultimately, follow-  
20 ing internal discussion and compromise, expresses all  
21 the viewpoints of the whole industry in Canada on any  
22 particular problem which is facing any segment or the  
23 industry generally.

24 Q. Does it conduct research?

25 A. No, it is a service organization.

26 Q. I want to turn to paragraph 7 of the sub-  
27 mission on page 2. You speak of the technological  
28 advances during past years which have permitted or created  
29 great changes and improvements in the distribution of fresh  
30 fruits and vegetables. Just to amplify that for the







1  
2 benefit of the Commission, could you give us some idea  
3 of what technological advances you are referring to in  
4 that general statement?

5 MR. KIDD: Mr. Chairman, I am wondering if the  
6 technological advances referred to have to do with  
7 transportation or with the production and marketing of  
8 the fruits and vegetables. In the transportation field the  
9 rail carriers and the truck operators as well have made  
10 very considerable advances in their types of protective  
11 services, their refrigerator cars, their inside control  
12 temperatures. It has developed that there is now an  
13 acceptance of the fact that transportation of our  
14 commodities, our fresh fruits and vegetables, requires  
15 much more precise attention, if you will, in the sense -  
16 well, as an example, it is much more suitable to transport  
17 goods in relation to the temperatures inside a car than  
18 those outside a car, which, up until the last few years  
19 insofar as certain types of refrigerator cars, has been  
20 the prevailing method of operation. Mechanical refriger-  
21 ator cars have become very much to the fore in late  
22 years. There was considerable differences of opinion,  
23 not necessarily as to the merits of the mechanical car but  
24 whether or not the economics lent themselves to the  
25 transportation of fresh fruits and vegetables. That has  
26 led to the position where it is now economically sound  
27 to have mechanical refrigerator cars, and we are now  
28 experimenting with mechanical refrigerator cars. They  
29 have also gone into the problem of what is called liquid  
30 fuel heaters for cars which are controlled by thermostats  
inside the car.





1  
2 Q. Does your association participate in the  
3 research or experimentation that has been conducted by  
4 the railways in the development of --

5 MR. KIDD: In consultation, yes, not in any  
6 technical sense.

7 Q. Are there special charges made by the  
8 railways for use of these specialized facilities and  
9 services?

10 MR. KIDD: Yes, sir, there are special charges,  
11 if you will, for all types of protective services.

12 Q. Perhaps you could give us some examples  
13 of that?

14 MR. KIDD: Well, I can't give you the dollars  
15 and cents factor.

16 Q. I wasn't thinking of that, I was thinking  
17 more of the types.

18 MR. KIDD: For what we call standard refriger-  
19 ation in Canada, the Canadian carriers charge merely for  
20 the provision of ice, they don't charge anything for the  
21 transportation of it, except in certain spheres, from  
22 British Columbia to the east and various parts of the  
23 west there is provision for standard refrigeration in all  
24 types of movements. Then there are provisions for  
25 what are called modified refrigeration services. In  
26 other words, standard refrigeration calls for initial  
27 icing and re-icing of it across the country at stations.  
28 Those stations are placed at 24-hour running time apart.  
29 Modified refrigeration calls for initial icing and one  
30 re-icing from transit and initial icing and two re-icing  
from transit, and so on. We have what is called







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underslung heater liquidometer temperature control. They also have what are called end of bunker refrigerator cars which are heated by means of thermal heaters inserted in the bunkers. With the underslung cars we have inside temperature control; with the end bunker cars we have control of the heat predicated upon outside temperatures.





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Brown  
Kidd, cr-ex  
(Cumming)

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1 Charges are made from point to point, or, based  
2 on a mileage basis for that type of service, although  
3 there are certain zone charges in connection with that  
4 type.

5 THE CHAIRMAN: What would the comparable  
6 situation be with the trucks?

7 MR. KIDD: The truck situation is somewhat  
8 mixed up at the moment. Some of them make charges for  
9 particular services, and some do not.

10 THE CHAIRMAN: What service do they give you --  
11 the same as the rail?

12 MR. KIDD: I would hesitate to say it is  
13 exactly the same. It is along the same lines. Some  
14 of their equipment has excellent facility for providing  
15 the service, and some has not. It is still in a state  
16 of flux, if I may say, with the trucks.

17 THE CHAIRMAN: It is mechanical refrigeration?

18 MR. KIDD: The latter services are mechanical.  
19 On some of the older trucks they are still using ice.

20 THE CHAIRMAN: And there are charges for it?

21 MR. KIDD: They are not necessarily uniform.

22 THE CHAIRMAN: It is a matter of contract?

23 MR. KIDD: Yes.

24 MR. CUMMING: Q. Mr. Kidd, I would like to  
25 turn to paragraph 9; in the last sentence of that you say:

26 "New growing areas have been opened up  
27 which have contributed much to the volume and  
28 variety of supplies."  
29

30 I wonder if you could assist us by giving us some idea of





1 the areas to which you refer, and the type of transpor-  
2 tation that is used by them?

3 MR. KIDD: Mr. Chairman, I think possibly the  
4 prime example of a new growing area, which is not exactly  
5 new so far as that is concerned at the moment, because  
6 it has been in operation for a few years, is the Bradford  
7 marsh area near Toronto. That now has reached a stage  
8 where there would be 7,000, 8,000, or 9,000 acres of  
9 marshland which has been reclaimed and which is producing  
10 a terrific quantity of high class vegetables.

11 Q. Is the produce from that area using rail  
12 traffic or is most of it being moved by truck?

13 MR. KIDD: There is a certain amount of rail,  
14 but I would say that the product is moving from that  
15 area by truck.

16 Q. I would assume that is because it is  
17 relatively close to its major market? Is it a question  
18 of short haul?

19 MR. KIDD: To a considerable degree, yes.

20 THE CHAIRMAN: That is the area that was  
21 flooded a year ago?

22 MR. KIDD: Yes. I don't know whether this is  
23 a gratuitous observation or not, sir, but it is one of  
24 the phases that has prompted this brief, that we feel the  
25 carriers have overlooked an opportunity in the Bradford  
26 area, and we, as an industry, are rather anxious they do  
27 not overlook similar opportunities in the other and more  
28 newly established areas, such as Sherrington, Quebec.

29 THE CHAIRMAN: When you are speaking of carriers,  
30







1 do you mean rail only, or rail and truck?

2 MR. KIDD: Rail carriers, sir.

3 COMMISSIONER MANN: Mr. Kidd, when you say  
4 the carriers have overlooked an opportunity, in view of  
5 the proximity of Bradford to Toronto, would the railways  
6 have much chance to serve wholesalers, off-siding, in  
7 Toronto -- or, even on-siding?

8 MR. KIDD: I would not contemplate that would  
9 be susceptible to rail movement, although, frankly, I  
10 think there were six cars moved from Bradford to Toronto  
11 last year.

12 COMMISSIONER MANN: It would likely be traffic---

13 MR. KIDD: Long haul traffic.

14 COMMISSIONER MANN: When you say "long haul",  
15 what do you mean?

16 MR. KIDD: The maritime provinces and western  
17 Canada, northern Ontario and northern Quebec.

18 MR. CUMMING: Q. While dealing with this  
19 question of long haul, perhaps you could give us some idea  
20 of this: could you tell us what you think is an economic  
21 length of haul for truck movement as compared to rail  
22 for fruits and vegetables?

23 MR. KIDD: I don't think I could give you any  
24 accurate picture on that. My own concept is that I don't  
25 see how anything over 300 miles could be economic, if  
26 we were able to exploit the inherent advantages of rail  
27 traffic.

28 Q. Is there any substantial movement of fruit  
29 and vegetables by truck over distances greater than that?  
30





1 MR. KIDD: Yes.

2 Q. Up to what sort of range?

3 MR. KIDD: They are moving from the Leamington  
4 area to western Canada, which would be a couple of thousand  
5 miles.

6 Q. Is there any piggy-back movement for fruit  
7 and vegetable products?

8 MR. KIDD: Not to any great extent as yet. I  
9 don't think the piggy-back equipment, up to a recent time,  
10 anyway, has been particularly suitable for piggy-back  
11 operation or piggy-back carriage of fruit and vegetables.  
12 We had last year -- I think there was one experimental  
13 deal which didn't work out very well.

14 Q. Is that because of refrigeration problems?

15 MR. KIDD: Yes, sir; the equipment was just not  
16 suitable for the transportation.

17 Q. Do you see that being overcome and a sub-  
18 stantial development of piggy-back movement in the near  
19 future?

20 MR. KIDD: My own personal opinion is, quite  
21 definitely, yes. There are areas of operation where  
22 piggy-back could be quite effective. Take the Bradford  
23 area again; a piggy-back operation there, I think, would  
24 be very valuable.

25 Q. And this, you say, was lost to the rails?

26 MR. KIDD: From service factors -- service  
27 factors, principally.

28 Q. They being of a greater consideration than  
29 any rate differentials?  
30







1 MR. KIDD: At that particular time, yes,  
2 although the whole picture could be clouded by rate  
3 differentials.  
4

5 Q. On that point, I am dealing with paragraph  
6 13, and you express the Association's regret at the drift  
7 away from rail handling. I was going to ask you  
8 generally whether that drift would, in your experience,  
9 be attributable to rate considerations or is it there,  
10 again, more predominantly a matter of service?

11 MR. KIDD: I would say it is a combination of  
12 both. I would hesitate at this stage of my thinking to  
13 say which is the prime factor.

14 Q. You don't want to put the emphasis on  
15 one or the other?

16 MR. KIDD: No. Primarily I would think,  
17 though, that so far it has been the rate factor.

18 Q. Primarily the rate?

19 MR. KIDD: For long haul traffic, yes.

20 Q. And, of course, on the short haul I suppose---

21 MR. KIDD: It is service and rate.

22 Q. Going over onto page 4 where are set out  
23 the texts of the resolutions, the third line of the  
24 last resolution that was passed:

25 "Resolved that the council request the  
26 two national railroads to have created a  
27 separate and special authority to conduct  
28 research into the needs of the horticultural  
29 industry . . ."

30 Would you be good enough to outline to the Commission what





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1 kind of authority you had in mind? Is this to be some-  
2 thing set up by the government, by the Department of  
3 Agriculture, or is it to be a joint authority of the  
4 railway people themselves? Just what have you in mind  
5 when you make that suggestion?  
6

7 MR. KIDD: No. Mr. Chairman, that was in-  
8 tended to suggest that the two railroads might consider  
9 it advisable and valuable to set up within their own  
10 individual organizations a specialized department for  
11 handling the marketing phases of transportation in re-  
12 lation to the marketing phases of our industry.

13 Q. Would you think there should be some  
14 industry representative on this?

15 MR. KIDD: Not necessarily so -- no, I would  
16 not think so. That is, in our thinking, their own par-  
17 ticular business, but our industry holds itself out at  
18 all times to sit with that authority. In fact, we  
19 probably would be approaching them more or less frequently  
20 for solutions to our problems, but we feel a centralized  
21 authority with special jurisdiction over our particular  
22 traffic, coupled with an association of ourselves and  
23 other interested shipper groups of our kind, could result  
24 in the solution of most of these problems to the advantage  
25 of both parties.

26 Q. This centralized authority -- would it be  
27 dealing primarily with rate problems, or is it to have a  
28 broader scope?

29 MR. KIDD: Rates and service.

30 Q. Rates and service?





1 MR. KIDD: Rates and service, yes.

2 Q. So, it would be a rate function and a  
3 technical and research body, would it?

4 MR. KIDD: Excuse me; possibly I gave the  
5 wrong impression. In so far as the research factors  
6 with the railwys go, into our particular traffic, they  
7 now have that specialized department. What we are sug-  
8 gesting is a comparable department to handle the market-  
9 ing factors involved in the picture, such as pricing  
10 and services, and by "services" I mean schedule of  
11 operations, and so forth.

12 Q. The technical side of the research is,  
13 as far as you are concerned, being adequately looked  
14 after?

15 MR. KIDD: Yes.

16 Q. And now it is marketing and rate problems?

17 MR. KIDD: We are merely suggesting a parallel  
18 department be set up to take care of the pricing and  
19 services of what they now have to sell.

20 Q. When you say in paragraph 17, "What the  
21 industry needs is some channel where these problems  
22 may be susceptible to immediate action" -- does this  
23 mean a central authority that can act quicker?

24 MR. KIDD: That is right.

25 Q. Do you feel your industry would be better  
26 served if there was more power at the local level for  
27 adjustment?

28 MR. KIDD: Yes, sir.

29 Q. Would that go hand in hand -- that, to me,  
30







1 in any event, would indicate some decentralization?

2 MR. KIDD: What we actually, I think, had in  
3 mind is some central authority that would exercise an  
4 overall jurisdiction on fruit and vegetable traffic, and  
5 have that authority in such a condition that they would  
6 be familiar more or less with the various problems across  
7 the country, and when any problem did arise, whether it  
8 was handled on the local level or at the more senior  
9 level, it would be taken care of; in other words, some-  
10 body charged with the definite responsibility, if there  
11 was a prospective movement, of seeing that the thing  
12 was adjusted one way or the other. It may not be  
13 attractive to the railways: all right -- the authority  
14 would have knowledge and would say, "No, it is not worth  
15 while."  
16

17 Q. Whatever is set up should, in your  
18 opinion, be purely a railroad organization?

19 MR. KIDD: Oh, yes.

20 Q. It is not something for governmental  
21 authority to step in through the Board of Transport  
22 Commissioners or through the Department of Agriculture?

23 MR. KIDD: Some specialized authority within  
24 the railroad body itself.

25 COMMISSIONER MANN: Mr. Kidd, just one point  
26 that arises out of your discussion with Mr. Cumming:  
27 you said on the research side your industry was well  
28 taken care of as far as the railways were concerned, and  
29 such new developments as the heated box car would indicate  
30 that progress is being made?





1 MR. KIDD: Yes.

2 COMMISSIONER MANN: However, there is still to  
3 be looked after the service and rate side?

4 MR. KIDD: Yes.

5 COMMISSIONER MANN: On the service side the  
6 railways have supervisors of perishables?

7 MR. KIDD: Yes.

8 COMMISSIONER MANN: Wouldn't that department  
9 take care of the service angle, and isn't all that re-  
10 mains the rate question -- the pricing?

11 MR. KIDD: They quite well could extend the  
12 jurisdiction of that present perishable traffic depart-  
13 ment to take care of the service angle. Up to the  
14 present it does not function in that respect.

15  
16 CROSS-EXAMINATION BY MR. HUME:

17  
18 Q. Mr. Kidd, my name is F. R. Hume, and I  
19 represent the Canadian Trucking Associations, and there  
20 are a couple of questions I would like to ask for  
21 clarification arising principally out of your answers  
22 to my learned friend Mr. Cumming.

23 As I interpret your paragraph 11 in your brief  
24 dealing with the statistics between the rail and truck  
25 haul, that seems to indicate to me that over the last  
26 three years, at least, there is a gradual increase on  
27 the part of your members in shipping their agricultural  
28 products by truck. Is that a tendency that can be ob-  
29 served by you over more than just the last three years?  
30 Is this something that has carried on since the war?







1 MR. KIDD: It has developed over more than  
2 the past three years, yes.

3 Q. While out west in Vancouver, we heard a  
4 brief read by one of your members -- or, I presume they  
5 are -- the B.C. fruit people, and there the witness, in  
6 answer to a question by one of the Commissioners, was  
7 describing the movement of their products by truck into  
8 eastern Canada, a distance of about 2700 miles. Is this  
9 a two-way movement, or is this just a movement from  
10 western Canada into central Canada?

11 MR. KIDD: Well, it is a two-way movement, but  
12 not necessarily by the same transport operator. However,  
13 there are cases of that kind. I think what was referred  
14 to out in British Columbia was the movement of apples by  
15 motor transport down to eastern Canada. Well, then,  
16 there is actually a movement of fruits, particularly,  
17 and vegetables, from the Leamington area out to the prairie  
18 provinces, by truck.

19 Q. Is this increasing?

20 MR. KIDD: Yes, sir.

21 Q. As I recall the evidence in Vancouver, one  
22 of the principal reasons for this increase that the witness  
23 suggested was the service factor and the fact that the  
24 refrigeration aspect of these long haul truck operators  
25 had reached a point where the shippers found it more de-  
26 sirable to ship by truck than by rail; is that your ex-  
27 perience?





1  
2 MR. KIDD: I believe the eastbound shipment of  
3 apples, insofar as the physical handling is concerned,  
4 has been quite satisfactory and the rate has been quite  
5 definitely satisfactory or they would not have moved  
6 that way. But, on the other hand, there is no advantage;  
7 the service, I would suggest, insofar as the protective  
8 end is concerned, is no better by truck than it is by  
9 rail.

10 Q. It was suggested out west that the rails  
11 had certain charges for icing services which the truck  
12 operators, with their thermal heat did not make. Is that  
13 your information?

14 MR. KIDD: I have no information on that.

15 MR. HUME: Your reference to the piggy-back  
16 movement, one of the problems there with the use of the  
17 thermal equipment that is now on a great many of the trucks,  
18 is that it requires pretty constant attention to make sure  
19 it is functioning properly and when a truck trailer is  
20 put on a flat car there is no one to attend to it and it  
21 cannot be checked, is that your information?

22 MR. KIDD: It could be -- that could be but I  
23 have no personal knowledge of that. Mr. Latchman tells  
24 me their trucks which have the thermal heating equipment  
25 do require reasonably frequent attention.

26 Q. And I suggest it is one of the problems that  
27 will have to be overcome before the piggy-backing of fruit  
28 and vegetables will reach any serious proportions,  
29 checking on the equipment would have to be something to  
30 be discussed.

MR. KIDD: I would think so. That was the







1  
2 trouble in the one case which I mentioned.

3 Q. Now, my final point is perhaps a naive  
4 question, but in paragraph 13 you indicate the fact that  
5 you found it disconcerting that your members are using  
6 trucks in an increasing quantity and my question is,  
7 why is it disconcerting if the truck operators are giving  
8 service or rate to the extent you have indicated this  
9 movement is increasing, why do you find this disconcerting?

10 MR. KIDD: I suppose part of it might well be  
11 tradition. Our people do feel, however, that their  
12 industry is in the place it is today by virtue of the  
13 co-operation of the shippers and the railways over the  
14 past thirty, forty, fifty years and they do feel their  
15 distribution picture that they had till recent years  
16 upon rail movements have dependably regulated the service  
17 and so on. Your truck operator insofar as our particular  
18 picture is concerned, it is intermittent, its services  
19 are not necessarily regular and there are factors involved  
20 which are not apparent with a rail movement. There are  
21 various factors of that kind which dispose many of  
22 our members to prefer rail movement.

23 Q. And obviously a great many of your members  
24 selecting their movement - my only point is, an increasing  
25 number of your members now find they, for one reason or  
26 another, prefer to use trucks for long or short hauls.  
27 Why do your operators find it disconcerting? I suggest  
28 that is a normal development of post-war development in  
29 this country.

30 MR. KIDD: That is true, sir, but I think our  
people feel, as we mentioned a little earlier in the







1  
2 submission, that the sound railway service is essential  
3 to our industry. Anyway, that is their feeling at the  
4 moment. That could change in the next ten years, maybe  
5 the whole picture will change but they feel fundamentally  
6 that rail transportation is the backbone of the industry  
7 and I think they feel the constant erosion away from  
8 rail movement in the over-all picture is not to be  
9 desired. They feel, I think, that there is a place, a  
10 very definite place for truck movement in the distribution  
11 of our fruit and vegetables but in the long-haul picture  
12 they feel that the rails are the method of transportation  
13 they wish to use.

14 Q. I notice from the motor transport traffic  
15 statistics, as imperfect as they may be, that there are  
16 an even greater number of your members shipping their  
17 products by their own trucks than by commercial for-hire  
18 hauls. You may quarrel with the statistics, with their  
19 imperfections, but there is a great private movement  
20 both interprovincial and intraprovincial of agricultural  
21 products than there is for hire. Are your members buying  
22 more and more trucks and shipping more in their own trucks?

23 MR. KIDD: I think it is a fair statement. I  
24 do not mean for-hire carriers when I talk about truck  
25 movement.

26 Q. This purchase of equipment and movement in  
27 private trucks, is this something your association  
28 attempt to direct your members on or do you, at the  
29 present time, indicate to your members that they should  
30 or should not ship by truck or ship by their own truck  
or ship by rail?





1  
2 MR. KIDD: No, sir.

3 Q. And this brief you have presented, you have  
4 a great many members, was this approved by all your  
5 members or is this the work of a traffic committee or  
6 how was it prepared?

7 MR. KIDD: The matter was discussed at the  
8 annual meeting and it was left to the transportation com-  
9 mittee to develop something along the line of the resolu-  
10 tion that was embodied therein. As is mentioned, both  
11 the bodies, the Wholesalers' Association and the Canadian  
12 Horticultural Council of which the Wholesale Association  
13 is a member at the present time, are reviewing their  
14 transportation committee structure and it is in anticip-  
15 ation of that that we are suggesting some sort of  
16 specialized authority of the railways to meet with us  
17 on common ground. The questions developed in this were  
18 discussed at the Canadian Horticultural meeting in  
19 February.

20 Q. I want to congratulate you on that. Now,  
21 did these members of the government, did these depart-  
22 ments of agriculture, for instance, see this brief and  
23 approve of it in its present form?

24 MR. KIDD: No.

25 Q. Or your members?

26 MR. KIDD: No.

27 THE CHAIRMAN: Referring to the apple movement  
28 from British Columbia to Ontario, do you know whether there  
29 was any return cargo for these trucks?

30 MR. KIDD: I have no specific knowledge,  
Mr. Chairman, but I would think there must be - there must







1  
2 have been. They are regular transport carriers who have  
3 been taking the apples east and I am sure they would have  
4 return movements but whether or not they were fruits  
5 and vegetables I could not say.

6 THE CHAIRMAN: They are regular transport carriers?

7 MR. HUME: I might put on the record at this  
8 time, my understanding is that the long-haul carriers who  
9 are moving these apples and other products into eastern  
10 Canada are the regularly licensed carriers who have extra  
11 provincial licences under the Motor Vehicles Act. The  
12 movement from east to west has been, as this movement  
13 developed in the last ten years, greater than the back  
14 haul, if you like to call it that. If you lived in the  
15 west you would not refer to it as a back haul. The  
16 development of this apple movement and plywood and so on  
17 is a return load proposition so far as the carriers are  
18 concerned and the vehicle that moves apples from British  
19 Columbia to central Ontario is carrying manufactured  
20 products and other miscellaneous goods from central  
21 Canada back.

22 THE CHAIRMAN: Now, is there much movement into  
23 the prairies of apples, for instance?

24 MR. HUME: My recollection of the evidence,  
25 I will have to look at the transcript, was that the  
26 witness who gave evidence indicated that the movement was  
27 heavy to the point that they were negotiating an agreed  
28 charge with the Canadian National Railways and when that  
29 was established the movement at least into Alberta would  
30 be virtually locked in the railway. I do not recall much  
more but it would be in the transcript and I can look it up.





1  
2 THE CHAIRMAN: Mr. Mauro?

3 MR. MAURO: No questions.

4 THE CHAIRMAN: Mr. Doherty?

5 CROSS-EXAMINATION BY MR. DOHERTY:

6  
7 Q. My name is Doherty and I represent the  
8 province of Saskatchewan. I wonder if you might indicate  
9 what you regard as the most significant factor since about  
10 1940 in the handling of fruit? I understand there have  
11 been some changes but is there one that is the most  
12 significant?

13 MR. KIDD: There have been tremendous changes  
14 and advances in the preparation and packaging of fruit.  
15 If you have no objection I would like Mr. Latchman to  
16 speak because he is engaged in that phase of the business.

17 MR. LATCHMAN: Perhaps it has not been so  
18 clearly brought out what has happened in Canada within the  
19 last ten or fifteen years from the point of view of the  
20 entire industry from growing, packaging, preparation for  
21 market, shipping and all of the methods that were used.  
22 Possibly in the last ten years there have been as many  
23 changes in the technological advances as there have been  
24 in the last fifty years before that. It is true that  
25 we have today a very large commercial operation in fruits  
26 and vegetables at growing and shipping levels that there  
27 has not been in previous years and this would include  
28 packaging of fruits and vegetables and I am speaking  
29 of the product that is grown in Canada. Our problem  
30 has been that although we have made these advances within  
our industry, from a technological point of view we have







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1  
2 not been able to impress the railways with the need for  
3 understanding of our marketing problems. This seems to be  
4 the large problem in agriculture today and we feel that  
5 many of our problems in marketing our products across  
6 Canada, a product that is grown in Canada, can be solved  
7 with the help of specialists in the railways appointed by  
8 the railway, people employed by the railways who could  
9 give us whatever specialized attention is necessary to help  
10 solve our problems as they must needs be solved in a very  
11 fast and efficient manner. Our goods are very perishable.  
12 What might exist today, a problem that exists today that  
13 might create a movement of 30, 40, 50 carloads of fresh  
14 fruits and vegetables from one part of the country to  
15 another, must have an answer very, very quickly. If we do  
16 not get the answer, we might as well not have the problem,  
17 we might as well not have railways. Part of the reason  
18 that we have an increase in the movement of fresh fruit and  
19 vegetables by truck is the fact that there is more and more  
20 turning to truck operations where you can sit down across  
21 the table from someone and work out a rate and get a  
22 fast and efficient answer very quickly.  
23  
24  
25  
26  
27  
28  
29  
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1 Q. Is there anything in there that you would  
2 regard as a single significant change? What I have  
3 in mind in this question is in respect to the loadability  
4 factor.

5 MR. LATCHMAN: Well, yes. As a matter of  
6 fact, this is something that I suppose is revolutionary.  
7 The old style packages that were formerly used, if you  
8 are referring to them -- the old bulk movement of goods  
9 is being cut down, and in its place there is a movement  
10 now for packaged goods that are clean and washed in small  
11 consumer packages, and those consumer packages are packed  
12 in film, mostly, or paper, then in master containers.  
13 The whole method is completely changed to the point where  
14 goods that used to come from producing and growing areas  
15 in a manner which still had to be prepared by the  
16 retailer in many cases before being sold to the consumer,  
17 now these goods are many times prepared at the primary  
18 level for sale directly to consumers.

19 Q. Does this help at all in obtaining the  
20 maximum loads? For instance, I had in mind the minimum  
21 load weight that you might have by way of freight, and I have  
22 noted, of course, on occasion -- quite frequently -- that  
23 the fruit cars are perhaps only loaded to a certain per-  
24 centage of height. This may have to do with the character  
25 of the packaging, or it may have to do with the type of  
26 the order, but I was wondering if the new packaging you  
27 have in mind does permit of maximum loading, either by  
28 truck or by rail?

29 MR. LATCHMAN: Very definitely so. The change





1 from wooden types of containers to cartons and corrugated,  
2 etc. and the packaging I have spoken of, certainly per-  
3 mits larger loads in many cases. We must not forget  
4 we are dealing with highly perishable goods, and each  
5 fruit and vegetable must be considered separately as  
6 regards what weights should go into a car or truck.  
7 Also involved is the time of year. Earlier vegetables  
8 can possibly stand a lesser load than later vegetables,  
9 and fall vegetables, which are more hardy.

11 Q. Do you experience any difficulty in  
12 meeting the load weights the railways might prescribe?

13 MR. LATCHMAN: In some cases, yes.

14 MR. KIDD: As a definite example of what has  
15 just been mentioned, there is the case of lettuce. A  
16 few years ago lettuce was moved entirely in crates,  
17 with ice packed throughout the crates among the lettuce,  
18 and that would probably move in a car -- you could not  
19 get more than 20,000 pounds in a car. Today lettuce  
20 is moving in cartons, and I think a reasonable average  
21 load is about 30,000 pounds. The container has changed  
22 that picture, and I think it will change it more in  
23 the future.

24 Q. Would there be any significant change in  
25 the movement of apples? I have noted there is a card-  
26 board carton for apples being used. Has it made a  
27 change in the loading factor?

28 MR. KIDD: I do not think it has made any  
29 appreciable change. It has in some cases, but the apple  
30 minimum, from British Columbia, for instance, has always







1 been pretty high. The wooden box in which they used to  
2 be packed, in so far as the transportation package is  
3 concerned, is not greatly different from the carton.  
4 So there would be no significant difference with apples  
5 in that respect. There would be the change from shipping  
6 apples in bushel baskets and that type of package to the  
7 carton. I think that in eastern apples, particularly,  
8 there has been a change. Yes, I withdraw what I  
9 mentioned a moment ago. There has been quite a change  
10 in the eastern apples. They are now able to load  
11 heavier.  
12

13 Q. You mentioned baskets in relation to  
14 apples, but the basket method of shipment is used  
15 considerably in the grape and peach movement in the  
16 east -- that is a different method of packing, in  
17 order to provide the maximum load?

18 MR. KIDD: There has been a very substantial  
19 change in the picture. The six-quart basket is  
20 considered a very good sales package, and the shippers  
21 and growers and the receivers were reluctant to change  
22 that type. I cannot use the language here I have  
23 heard about it as being a transportation package.  
24 There was nothing but trouble. So they have developed  
25 a master carton container which holds four, and it will  
26 hold, I think, six, of the six-quart baskets. They  
27 are now being shipped in that container, and in fact  
28 the Ontario Peach Board requires that container for  
29 shipments, and it has made a terrific difference in the  
30 development of the peach market. They are arriving in





1 much better condition, and they are able to load a bit  
2 heavier with a much greater degree of safety, at the  
3 same rate.

4 MR. LATCHMAN: May I continue in answering  
5 that? Part of our problem has been the fact that there  
6 has been no recognition by the railways of the changes  
7 that have happened. That is the specific situation we  
8 are talking about, the situation where presumably a  
9 rate was predicated on the fact that there was a great  
10 deal of breakage and damage done when sending these  
11 six-quart baskets from, say, the Niagara area.

12 THE CHAIRMAN: That is one of the reasons why  
13 you want this new authority?

14 MR. LATCHMAN: That is correct. Now we have  
15 a situation that is altogether different. The damage  
16 factor in this new master container that has been used  
17 for several years is negligible, I would imagine, and  
18 still there is the same rate. This is something again  
19 that we would like to discuss with specialists.

20 MR. DOHERTY: Q. May I ask one further  
21 question? Has the introduction of the new type of  
22 containers had the tendency of eliminating some of the  
23 rather extensive slat work and brace work in the cars?  
24 Has there been a reduction to the shipper in the cost?

25 MR. KIDD: Yes, I would say there has been  
26 a lessening of the use of bracing and similar material  
27 in a car, which, I presume, has reduced the cost to the  
28 shipper to a degree, although the cost of the new con-  
29 tainers probably would overbalance that. On the other  
30







1 side of the picture there has been a reduction in the  
2 cost to the carriers in that connection by virtue of  
3 the fact that they no longer have to return those  
4 braces back to the shipping points, which they did in  
5 some cases.

6 Q. It would be possible to load the cars  
7 quicker?

8 MR. KIDD: Yes, these new types of containers  
9 are susceptible to mechanized handling to a much greater  
10 degree than the old types.

11 Q. As you have suggested, there is a con-  
12 siderably reduced loss factor?

13 COMMISSIONER MANN: The dunnage allowance  
14 has gone up too?

15 MR. KIDD: We have estimated weights. We  
16 do not have a dunnage allowance.

17 MR. DOHERTY: Q. Does any appreciable quan-  
18 tity of fruit move by what might be called an express  
19 movement?

20 MR. KIDD: There is a reasonable amount, yes.

21 Q. Does that give you a considerably better  
22 opportunity to meet markets in the time limit?

23 MR. KIDD: Yes, there is an express movement  
24 out of the Niagara area. In the overall picture, I do  
25 not think it would be a tremendous factor.

26 Q. Have the railways looked with favour on  
27 this type of movement? Have they promoted it in any  
28 way or assisted you in making those movements in order  
29 to meet, say, truck competition?  
30







1 MR. KIDD: To be very honest, I do not think  
2 I can recall any case. What they have done is par-  
3 ticipate very thoroughly in connection with the situa-  
4 bility of the containers for transportation under this  
5 specialized department they now have, that is, the  
6 physical construction of the containers and their loading  
7 patterns, and things like that, but in so far as the  
8 development of new packages is concerned, I am not aware  
9 of any cases where they have made any contribution in  
10 that respect.  
11

12 MR. DOHERTY: Thank you, Mr. Kidd.

13 COMMISSIONER BALCH: You mentioned the  
14 express services in the Niagara district. Is that  
15 by train or truck?

16 MR. KIDD: Train.

17 COMMISSIONER BALCH: You still have the  
18 fruit trains that have been running for many years?

19 MR. KIDD: The fruit train still runs. That  
20 is a freight movement. The express movement is by  
21 passenger train.

22 COMMISSIONER BALCH: You still have that fruit  
23 train running out of there?

24 MR. KIDD: The fruit train still runs.

25 COMMISSIONER BALCH: For the far west mainly?

26 MR. BROWN: That is a Montreal movement.

27 COMMISSIONER BALCH: It goes east?

28 MR. BROWN: Yes.  
29  
30





1  
2 CROSS-EXAMINATION BY MR. FRAWLEY:

3 Q. Mr. Kidd, is the shipping group the  
4 rule or the exception in the fruit and vegetable industry?  
5 Do you know what I mean?

6 MR. KIDD: The shipping group?

7 Q. For instance, in British Columbia, espe-  
8 cially in the Okanagan region, they have large shipping  
9 groups into the prairies, and I was wondering whether  
10 that was common throughout Canada, or was it limited  
11 to there?

12 MR. SINCLAIR: Rate groups.

13 MR. KIDD: Rate groups? No; in eastern Canada  
14 that does not prevail to any extent at all.

15 MR. FRAWLEY: Q. It is not the rule; is it  
16 the exception in eastern Canada?

17 MR. KIDD: Yes.

18 Q. Are there any rate groups, if that is the  
19 proper way to call them, in eastern Canada?

20 MR. KIDD: You might describe certain areas  
21 as being in the same rate group. It is not specifically  
22 described as such, but there are certain points within  
23 that group that do take the same rates.

24 Q. For instance, in the Niagara Peninsula  
25 are there a whole lot of rates or are there one or two  
26 rates?

27 MR. KIDD: The Niagara area has got one rate  
28 in so far as motor compelled rates are concerned.

29 Q. That is what I was talking about. It  
30 is common in western Canada, but in other fruit and







1 vegetable growing areas, in eastern Canada, is it also  
2 the rule?

3 MR. KIDD: Only by nature of what might be  
4 developed from the straight class rate structure. Niagara  
5 has a specialized rate set-up developed through necessity  
6 of motor competition, but other areas have not that  
7 same setup and they have been predicated entirely on  
8 the class rate setup.

9 Q. Only where competition requires it or  
10 compels it are there rate groupings in eastern Canada?  
11 Is that the situation?

12 MR. KIDD: Yes.

13 Q. This organization is called the Canadian  
14 Fruit Wholesalers Association, but I suppose that in-  
15 cludes vegetable wholesalers also?

16 MR. KIDD: Yes, the fruit is all included.

17 Q. Fruit and vegetables?

18 MR. KIDD: Yes.

19 Q. Is there any significance in the fact that  
20 the provincial departments of agriculture in Alberta  
21 and Saskatchewan did not belong to the Canadian Horti-  
22 cultural Council?

23 MR. KIDD: Possibly Mr. Brown could answer.

24 MR. BROWN: I think the only thing that would  
25 imply is the fact that there is no appreciable horti-  
26 cultural industry in those two provinces. To date they  
27 have not participated in the activities of the council.

28 Q. When the other departments become members,  
29 do they volunteer for membership or are they solicited?  
30





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(Frawley)

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1 A. I think perhaps some of both situations  
2 prevail. The council activities of necessity involve  
3 consultation with the provincial departments on inspec-  
4 tion matters and many other matters, so that in an  
5 attempt to bring about uniformity in some of these  
6 things the provincial departments have either asked  
7 to participate or been asked to participate.

8 Q. If you have not asked the provincial  
9 department of Alberta, you might think of doing so.  
10 You probably know there is now an association called  
11 the Southern Alberta Vegetable Industries Association?  
12

13 MR. BROWN: I believe, sir, they have been  
14 approached recently.

15 ---Short recess.  
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2 THE CHAIRMAN: Order, please, gentlemen.

3 Mr. McDonald?

4 MR. McDONALD: Yes, Mr. Chairman.

5 CROSS-EXAMINATION BY MR. McDONALD:

6  
7 Q. I have a couple of questions which I would  
8 like to direct to Mr. Latchman.

9 Mr. Latchman, you said that you wanted fast  
10 and efficient handling of your problems by the railways.  
11 Now, do I take it that you do not think that there should  
12 be any government regulations, and so on, governing rates  
13 as far as handling your business is concerned?

14 A. Mr. Chairman, I am afraid that I have no  
15 opinion on that at all. I don't know whether the govern-  
16 ment should be involved - as I understand your question,  
17 you are asking me whether I think that government rates  
18 should interfere in this matter.

19 Q. Government regulations, statutory regul-  
20 ations governing rates?

21 A. I am afraid I am not a technical railway  
22 person, so I couldn't answer that.

23 Q. What you want to be able to do is sit down  
24 with the railways and make agreements regarding rates and  
25 deal with your problems promptly?

26 A. Correct.

27 Q. And if there were any statutory regulations  
28 or anything like that, it would delay that course of  
29 dealings, would it not?

30 A. I don't know.

Q. Take one instance. Supposing you had a







1  
2 number of cars of fruits or vegetables come to western  
3 Canada and you sat down to negotiate an agreed charge with  
4 the railways, could you afford to wait 20 days before  
5 it went into effect?

6 A. No.

7 Q. That is an example of what I was talking  
8 about. You want that freedom so that you can sit down  
9 with the railways and negotiate rates and have a prompt  
10 decision?

11 A. That is correct.

12 Q. And you will agree with me that there is  
13 competition throughout Canada, truck competition, as  
14 far as the handling of fruit and vegetables is concerned?

15 A. Very definitely.

16 Q. And that, if nothing else, puts a control,  
17 a ceiling on the rates which the railways can charge?

18 A. Well, of course, they must be competitive  
19 as truck rates.

20 Q. And even if the railways wanted to, if  
21 they were given that freedom, they couldn't charge you  
22 exorbitant rates?

23 A. That is correct. They wouldn't get the  
24 movement either.

25 MR. McDONALD: I think that is all for  
26 Mr. Latchman. Perhaps Mr. Kidd can answer the rest.

27 Q. In paragraphs 11 and 12 of your brief  
28 you give the statistics from the department of agriculture.  
29 I just worked out some figures from your statistics.  
30 You have carloads or truck equivalents moving by truck-  
rail and ex Canadian origin; you have 40 per cent of the





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150,000, that would be 60,000 moving 1958 from Canadian origin, total movement.

A. Yes.

Q. And taking your percentages, that would be 36,000 of those movements would be by truck, the 24,000 would be by rail?

A. Yes.

Q. And ex United States origin, that would be the balance, that would be 60 per cent of 150,000, or 90,000 moving from United States origin?

A. Approximately that, yes.

Q. And using your percentages again, that would be 22,000 of those would be truck and 68,000 by rail?

A. Yes.

Q. I thought that might just give the picture a little better.

Now, take these movements from Leamington to western Canada by truck. What is the governing factor there that gives the truck a preference? Is it rates or service or what is it?

A. I would think in that respect, Mr. McDonald, it is a combination of both, I think it started from the rate factor.

Q. As far as equipment provided by the railways for handling your product is concerned, do you find that satisfactory today?

A. The Canadian car?

Q. Yes.

A. The Canadian car we think is the best refrigerator car on the continent. That is the modern







1  
2 ones. Some of the old ones are not so good.

3 Q. But the railways have made great progress  
4 in the development of the refrigerator cars in recent  
5 years?

6 A. Yes, that is our opinion.

7 Q. As far as the movement of fruit from, say,  
8 California, is most of it still done by rail?

9 A. Yes. Actually the estimate of 150,000  
10 car lots which I made was taken from the fact that the  
11 department of agriculture statistics show for twelve  
12 Canadian cities loads of 101,000 cars, and we took a  
13 rough estimate that the balance of the markets in  
14 Canada would take 60 per cent of the additional, and the  
15 specific figures on the 101,000 cars imported from the  
16 United States, the rail movement was 45,000 and the truck  
17 movement 14,000. That is in 1958. Those statistics in  
18 1959 have not yet been issued, but in my opinion the  
19 truck movement from the United States has increased.

20 Q. Would it be rates rather than service?

21 A. Primarily rates.

22 Q. In handling fruits and vegetables from the  
23 States, would you describe how those are handled? Are  
24 they started out down there to no specific destination?

25 A. No, definitely not. For some years now,  
26 going back to the war period, the Fruit, Vegetable and  
27 Honey Act regulations call for what we term f.o.b.  
28 purchases, they must all be firm purchases from the point  
29 of origin or within twenty-four hours of shipment, and  
30 a declaration of that purchase must be filed with the  
customs in that twenty-four-hour period. It used to be





1  
2 a very distressing and irregular proposition in years  
3 gone by. Many, many of these cars would be rolled on to  
4 Canadian destinations with no definite home, they would  
5 be diverted in transit to a market or diverted out of  
6 the country, and that created a tremendous disturbance  
7 and disorderly market; and during the war period it also  
8 contributed to the unnecessary use of equipment. Equip-  
9 ment during that period was very scarce, and this  
10 regulation developed from those two factors.

11 Q. As I recall, some years ago these cars  
12 used to be loaded and sent to Chicago for orders, and  
13 then brokers bought and sold these cars while they were  
14 moving?

15 A. Yes.

16 Q. They loaded them, started them in the  
17 direction of Chicago, and they traded these commodities  
18 as they moved.

19 A. That is right.

20 Q. But that has all been changed?

21 A. Yes, insofar as Canadian traffic is  
22 concerned. It still prevails within the United States.

23 Q. When it is necessary to divert any of this  
24 traffic that is moving up from the United States, do the  
25 members of your association find it easier to divert it  
26 if it is coming by rail rather than by truck?

27 A. In my own opinion, yes. I am not suffi-  
28 ciently familiar with the truck movement from those,  
29 because some of the truck operators moving from  
30 various of these origin territories have an arrangement  
with the receivers where they will telephone at different







Brown, ...  
Kidd, cr-ex.  
(McDonald)

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1  
2 times during the course of the trip for instructions,  
3 and the truck operators are developing these stated  
4 points where diversions could be accomplished. But in-  
5 sofar as our own imports into Canada are concerned,  
6 there is little of this diversion done until the car  
7 gets to Canada, because it is not within the bounds of  
8 the regulations.

9 Q. You have to get them out of the United  
10 States before doing that?

11 A. Yes.

12 MR. McDONALD: Well, Mr. Kidd, I don't think  
13 I have any further questions. I wish to commend your  
14 organization for the thoughts you have given to this  
15 matter. The railways will no doubt give serious consider-  
16 ation to the points you have raised.

17 MR. KIDD: Thank you, Mr. McDonald.

18 In relation to that phase which Mr. McDonald  
19 mentioned, I wonder if I could introduce a few observations.

20 The pressing problem that this industry has  
21 is the enlargement and scope of the marketing of our  
22 own Canadian fruits and vegetables. The spreading out  
23 of marketing areas produces more distribution and  
24 lessens the possibility of oversupplies. In other words,  
25 I have stolen an observation from an address made a week  
26 or so ago in Manitoba, that the basic problem is not  
27 how to produce the products but how to produce markets,  
28 and the reason which prompts this submission on  
29 behalf of the industry is to try to stimulate, if we  
30 can, some machinery or get some machinery which will  
allow expeditious handling of these problems.







1  
2           The industry, as we have said, has of late  
3 taken a much greater interest in the impact of trans-  
4 portation in these marketing problems, and it has been  
5 very discouraging in the length of time taken in an  
6 endeavour to secure solutions to some of the problems.  
7 Some problems have taken six months or more to negotiate,  
8 and when they did become factual or came into effect  
9 the traffic that developed was, I think, quite surprising  
10 to the railways, although the industry had been trying to  
11 sell them the idea for some considerable time.

12           It is our thought that all these problems  
13 with our industry could be resolved by the institution of  
14 a procedure such as we suggest, where the industry can sit  
15 down with the railways, or any other transportation body  
16 as far as that is concerned, and work out solutions to  
17 these problems, if they are workable at all.

18           Thank you.  
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2 CROSS-EXAMINATION BY MR. SINCLAIR:

3 Q. Mr. Kidd, you have spent a lifetime in  
4 transportation matters, and I think that is known to  
5 some members of the Commission, and I think you have  
6 had a great many years' experience in dealing with  
7 rate problems, and matters of that kind; isn't that  
8 correct?

9 MR. KIDD: Too many years, Mr. Sinclair.

10 Q. Well, I would not say too many years;  
11 I don't think you can ever have too many years dealing  
12 with transportation problems because it takes a great  
13 many years, you will agree, to deal with them intel-  
14 ligently?

15 MR. KIDD: Yes.

16 Q. In dealing with the fixing of rates, would  
17 it be your view that the rate level should reflect the  
18 value of the service, the value of the product, the  
19 weight, the distance and all the claims experienced,  
20 and matters of that kind; would you feel rates should  
21 reflect all these items of transportation?

22 MR. KIDD: They could be factors in them,  
23 definitely, although in our present economy it seems  
24 that the rate making procedure must necessarily tend  
25 more to cost of service than value of service.

26 Q. Well, would it be your view that the cost  
27 of the movement would govern in place of other factors,  
28 or would it only be one factor among all these others?

29 MR. KIDD: I would think it would only be one  
30 factor.







1 Q. Would it be your view that it would assist,  
2 or would it hurt the vegetable and fruit industry if  
3 rates were fixed on cost or some factor over cost --  
4 some arbitrary factor over cost, without taking into  
5 account other items such as value of service?  
6

7 MR. KIDD: You mean a rigid pattern?

8 Q. Yes.

9 MR. KIDD: My own thinking is that it would  
10 be detrimental. I think our position is that we would  
11 like freedom to negotiate. Possibly in some cases it  
12 may be possible to come below actual cost; in other  
13 cases, I see no reason why we should not go above actual  
14 cost.

15 Q. When you say "actual cost" you mean full  
16 cost?

17 MR. KIDD: I assume it is, yes.

18 Q. You are not suggesting rates should go  
19 below the variable movement plus some contribution at  
20 any time?

21 MR. KIDD: No.

22 Q. In view of your experience there is one  
23 matter that I think the Commission would be interested  
24 in, and that is this: is it your view that no segment  
25 of the freight rate structure should be frozen, but  
26 that each segment should be reflect changing conditions  
27 and costs of transportation as they occur from time  
28 to time?

29 MR. KIDD: May I ask what particular emphasis  
30 you place on "segment"? You mean, commoditywise?





1 Q. Let us take, for instance, a commodity  
2 such as western Canadian grain to export positions: as  
3 you know, that is frozen by statute, and my question to  
4 you is this: as a very experienced traffic man, what is  
5 your view in regard to that type of provision in the  
6 rate structure?

7 MR. KIDD: Mr. Chairman, if I might answer  
8 that question as a person rather than as representing  
9 a national association ---  
10

11 Q. I think we could quite agree, in view of  
12 the fact that certain members are western provinces,  
13 that we could extend that courtesy to you. We are  
14 asking you as an expert transportation man, expressing  
15 an opinion based on your experience, rather than a  
16 representative of any association.

17 MR. KIDD: I think that they should bear their  
18 share of the transportation costs that belong to them.

19 Q. Do you think it is detrimental, or other-  
20 wise, to a realistic freight rate structure to have a  
21 segment such as the large movement of grain to export  
22 positions in western Canada frozen?

23 MR. KIDD: Detrimental, yes.

24 Q. One other matter of some interest to the  
25 Commission, I am sure, is this -- and I don't know  
26 whether you wish to answer this on behalf of the Associa-  
27 tion, or whether you would wish to express your  
28 opinion as a highly experienced transportation man; you  
29 might say which it is: the question is, if a large  
30 traffic segment such as the movement of grain to export





1 positions in western Canada was meeting external market-  
2 ing influences that precluded that segment of traffic  
3 from bearing or finding its proper place in the freight  
4 rate structure, what would your view be in view of the  
5 economic situation that I have described in regard to  
6 the subsidization of that movement of traffic by the  
7 federal government?

8  
9 MR. KIDD: Well, again, as you suggested, I  
10 am speaking as a person ---

11 MR. MAURO: Mr. Chairman, I certainly want to  
12 place on the record my very strenuous objection to the  
13 form of this cross-examination. There were many of us  
14 who did not cross-examine because on the basis of the  
15 material in the brief there did not appear to be anything  
16 we would want to cross-examine on. My learned friend  
17 has departed from the brief and is using Mr. Kidd not as  
18 a representative of the Association, but apparently as  
19 one of his expert witnesses.

20 MR. DOHERTY: Mr. Chairman, I would like to  
21 associate myself with those remarks. I refrained from  
22 cross-examining on these problems, and I would like the  
23 right to re-examine.

24 THE CHAIRMAN: Well, make application to re-  
25 examine. Once the witness goes into the box he is  
26 exposed.

27 MR. SINCLAIR: And I think, Mr. Chairman, that  
28 this Commission has had to sit hours and listen to people  
29 who have not had the knowledge and experience of a man  
30 such as Mr. Kidd, and I think the fruit and vegetable







1 people who have prepared this brief, and who bring Mr.  
2 Kidd, are very fortunate in having him with their  
3 organization, and I think it would be of interest to  
4 the Commission in view of his experience and knowledge  
5 to have his views.

6  
7 THE CHAIRMAN: Ask your questions, and Mr.  
8 Mauro will have the right to deal with something new  
9 that comes out in the evidence.

10 MR. SINCLAIR: Q. Mr. Kidd, maybe I could  
11 recall to you the question I put, although perhaps not  
12 in the exact words: the thought of the question, as I  
13 recollect it, was this: if because of external marketing  
14 problems grain was unable to bear rates that put that  
15 traffic in its proper place in the freight rate structure,  
16 what are your views concerning federal subsidization of  
17 that movement to make up the difference, we will say,  
18 between the rate that now exists and a rate that would  
19 place it in its proper place in the freight rate  
20 structure?

21 MR. KIDD: Well, Mr. Chairman, I don't know  
22 that I could give any adequate answer. I am not being  
23 influenced in this by the objections that have been made,  
24 sir. I haven't really examined it or studied it except  
25 in a very superficial way. Subsidization, as such,  
26 implies a lot of things. It can grow and grow, and yet,  
27 on the other hand, if we are to have subsidization of  
28 situations like that, it seems to me that any subsidiza-  
29 tion of that nature should be allocated definitely to the  
30 particular thing it is intended to overcome. I don't





1 know whether the thing would go on further and further.  
2 You might have a branch line, if I may go along with  
3 my thinking in that respect -- you might have a branch  
4 line that is not economic. At the same time, it may  
5 be in the public interest to keep that branch line  
6 operating. If subsidization is in the picture, is  
7 there any way the subsidy could be allocated to that  
8 particular branch line? I think, if we are to have  
9 subsidization, it should definitely be allocated to the  
10 thing that is being subsidized.  
11

12 Q. Thank you. Now, from the thought you  
13 have given the Commission, let me ask you this: if you  
14 had a branch line that was uneconomic because of the  
15 statutory grain rates -- we will say it was carrying  
16 75 per cent grain -- and at the existing statutory  
17 rates it was uneconomic, would you agree it would be  
18 not in the public interest to hide the subsidy for  
19 grain by calling it a branch line subsidy?

20 MR. KIDD: If it could be defined down that  
21 far, yes.

22 Q. Basically, your position is that subsi-  
23 dies should not be used; is that right?

24 MR. KIDD: Yes.

25 Q. Unless there is no other recourse?

26 MR. KIDD: That is right.

27 Q. And if subsidies are going to be used,  
28 they should be clearly earmarked for the purpose that is  
29 involved?

30 MR. KIDD: I would say so.







1  
2 Q. You would also, I take it, agree that  
3 the manner of their payment should be such as not to  
4 overstate the true cost of the subsidy to the people of  
5 Canada, if one were considered necessary?

6 MR. KIDD: Oh, definitely; in my thinking,  
7 that would have to be specifically developed as to what  
8 the necessary subsidy was.

9 Q. One other general question, Mr. Kidd:  
10 this Commission has heard throughout these proceedings  
11 to date some discussion of passenger train service, and  
12 in view of your experience as a transportation man I  
13 wonder if you would give the Commission your thoughts on  
14 this. Assume with me that passenger train complex --  
15 movement of passengers by train -- is changing. Maybe  
16 you can say from your own knowledge whether you see any  
17 change in the desire of people to move by passenger  
18 train as compared with other modes of transportation;  
19 have you noticed anything of that nature or have you  
20 studied it?

21 MR. KIDD: I haven't studied it at all in any  
22 factual way. There does generally seem to be a trend  
23 towards air travel.

24 Q. And possibly highway travel on short hauls?  
25 Have you noticed that out on the highways when you are  
26 driving your car?

27 MR. KIDD: Oh, yes.

28 Q. What is your view as to the passenger  
29 train deficit, if any, of the railways -- and let us assume  
30 for the purposes of this question that there is a passenger





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Brown  
Kidd, cr-ex  
(Sinclair)

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1 train deficit -- assuming there is a passenger train  
2 deficit, as a transportation man what is your view as  
3 to how that should be handled? What action should be  
4 left to the railways and what action should be left to  
5 other methods?  
6

7 MR. KIDD: I would hesitate to give an opinion  
8 on that, Mr. Sinclair. There are factors in passenger  
9 train operation that might be intangible. It used to  
10 be, years ago anyway, that an excellent passenger  
11 service was a very good advertisement for the carrier  
12 who provided it. Whether or not some phase of this  
13 deficit should be charged to general publicity purposes,  
14 or something like that, I would have no opinion.  
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23 (Page 9602 follows)  
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2 Q. As a transportation man who is engaged  
3 in considering rate levels, and as I say, with some  
4 experience, as you know whatever passenger train deficit  
5 there is, it becomes an obligation of freight carriage  
6 generally, you know that?

7 MR. KIDD: Yes.

8 Q. Do you think that that should be changed,  
9 as a transportation man handling large tonnages, do  
10 you think that freight should continue to carry any  
11 obligations that arise from the passenger train deficit?

12 MR. KIDD: Again, I think it would be a  
13 question of a division of -

14 Q. I cannot hear you.

15 MR. KIDD: I think it would be a question of  
16 the division of any deficit. Part of it might be  
17 chargeable to freight operations.

18 Q. Part of it might be chargeable to the  
19 freight operations?

20 MR. KIDD: Yes.

21 Q. Do you think railway management should be  
22 given greater freedom in discontinuing unprofitable  
23 passenger train services where other modes of transport-  
24 ation are available?

25 MR. KIDD: I think, Mr. Chairman, that must  
26 be a question of fact, and the various interests  
27 involved would be the governing ones. I would hesitate  
28 to pass any opinion on phases of that kind.

29 Q. All right. Now, Mr. Kidd, at the bottom  
30 of page 2 and the top of page 3 of your brief you give  
certain statistics for rail and truck. You have been







Brown,  
Kidd, cr-ex.  
(Sinclair)

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2 questioned on this by my friend Mr. Hume and my confrere,  
3 Mr. McDonald. I am not clear on these percentages. Does  
4 the truck include private carriers by truck as well as  
5 for hire carriers by truck? Do they, for instance - if  
6 Dr. Brown happens to be a producer and operates his own  
7 truck, would that go into these figures? Mr. Latchman  
8 is shaking his head and perhaps he knows - anybody that  
9 has knowledge, would they please answer.

10 MR. KIDD: I am just checking this report to  
11 see if there was any specific mention of it made but  
12 there does not seem to be any. My concept of the  
13 machinery in assembling these figures is that they are  
14 taken from the truck arrivals and whether or not it is a  
15 common carrier, a public carrier or private transportation  
16 does not enter into it; I think those are all-inclusive  
17 figures.

18 COMMISSIONER MANN: Is the document that you  
19 have before you the "Unloads of Twelve Canadian Markets"  
20 that D. B. S. puts out?

21 MR. KIDD: Yes.

22 COMMISSIONER MANN: So it is the D. B. S.  
23 figures you are referring to?

24 MR. KIDD: Yes, the department of agriculture.

25 COMMISSIONER MANN: Then, that could be checked.

26 MR. SINCLAIR: So that it is, as Commissioner  
27 Mann says, subject to check.

28 COMMISSIONER GOBEIL: That is what you said to  
29 Mr. Hume, I believe.

30 MR. KIDD: Yes.

MR. SINCLAIR: Q. Now, Dr. Brown - I think





Brown,  
Kidd, cr-ex.  
(Sinclair)

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1  
2 that is all I have to ask you, Mr. Kidd.

3 Dr. Brown, my first question to you would be  
4 one to properly identify you.. For the benefit of the  
5 Commission, could you tell them whether you have had the  
6 advantage of graduating from the Manitoba Agricultural  
7 College?

8 A. No, sir.

9 Q. I just wanted to make certain. You must  
10 have graduated from some eastern university.

11 A. That is right, sir.

12 Q. Now, Dr. Brown, what I think the Commission  
13 would be very interested in is whether in your work on  
14 behalf of the fruit and vegetable growers and shippers  
15 of Canada you believe that there is an appreciation by  
16 the railway industry of the necessity of developing  
17 efficient modes of transportation of these products. Has  
18 that been your experience?

19 A. Your question is whether we feel there is  
20 an appreciation by the rails of this problem?

21 Q. Yes.

22 A. I would answer that question somewhat  
23 indirectly perhaps and I would emphasize here that I am  
24 relatively new to this position so I am quoting partly  
25 from my predecessor in discussions with him; the aware-  
26 ness may be there but we feel the performance has not  
27 been there.

28 Q. Now, what would you specifically suggest,  
29 I mean this Council, this group that are going to look  
30 at the marketing problem; what you are looking for, I  
take it, is an economic appraisal by the railways of







1  
2 marketing areas for fruit and vegetables and how the  
3 railway transportation industry can meet those economic  
4 marketing areas, is that what you have in mind?

5 A. I think that is right. If I may quote a  
6 specific example from memory, and perhaps not accurately;  
7 there was a situation arose last year where the Ontario  
8 Plum, Pear and Cherries Marketing Board had held rather  
9 large stocks of frozen cherries in their hands and had  
10 an opportunity to move these to a far western market.  
11 The situation developed where there was a market there.  
12 The existing rate, that would be a class rate in effect,  
13 was prohibitive as far as the movement was concerned  
14 but there had been an agreed rate with a particular  
15 customer previously that had this particular rate been  
16 extended to this transaction it would have meant a profit-  
17 able venture. However, the delay that was involved in  
18 getting a decision one way or the other from the railways  
19 was such that the deal could not be consummated.

20 Q. Is it the view of your group then that  
21 agreed charges or contract rates should be able to go  
22 into effect immediately just as they are, as I under-  
23 stand the evidence here, just as they are with truck  
24 movements. Is that what you have in mind?

25 A. Without understanding all of these  
26 mechanics and requirements of agreed charges, yes. There  
27 is a need for a much faster solution to some of our  
28 requests than we have had in the past.

29 Q. Well, do you know that there is a market-  
30 ing section of the traffic department of Canadian  
Pacific that has been established in fairly recent times?





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Did you know there was?

A. I knew that, yes.

Q. And up till now it has not been completely set up but have you had a chance to talk to the head of that section?

A. No, we have not.

Q. But it would be a professional economist on marketing that you would have in mind as the type of person you think should be looking at your problems and one, indeed, who specializes in perishables being fruits and vegetables?

A. Yes.

Q. And failing a specialist, a general marketing economist would be the next best thing?

A. Yes, and somebody to whom we could present, or representatives of our industry, could present the cases who would be capable and empowered to take action on the presentations.

Q. Well, Dr. Brown and your associates, I know you have given a lot of thought to transportation by rail and by other modes of transportation, and as I said earlier I think you are fortunate to have among your group an experienced man like Mr. King. On behalf of Canadian Pacific I wish to thank you for the time you have taken to come here and let us have your views.

MR. HUME: Mr. Chairman, may I ask permission to ask Dr. Brown one question arising out of a point made by Mr. Sinclair?

THE CHAIRMAN: Yes, of course.





FURTHER CROSS-EXAMINATION BY MR. HUME:

Q. This movement of frozen cherries and plums that you spoke of, what the association wanted was a competitive rate on a sort of one-time movement. Was that not the situation? You approached the railways for a competitive rate, it was not an agreed charge to extend over a series of years?

A. No sir, this was on a specific -

Q. On a specific movement?

A. I only stated that as an example as to where a marketing situation can arise in our industry.

Q. I understand that but I want to make it clear on the record that what you wanted or your association wanted was a competitive rate. Now, was it your understanding that the railways could give you a rate on the telephone within an hour?

A. Is it my understanding they could?

Q. Yes?

A. No.

Q. If you had got a decision within the hour, would that have satisfied your problem?

A. It was not necessary within the hour, within two or three days would have sufficed. My point, and I am subject to correction from Mr. Kidd, there was a rate, as I understand it, an agreed rate in existence that had been extended to a particular movement.

MR. SINCLAIR: An agreed charge?

MR. HUME: Q: You mean an agreed charge?

A. An agreed charge to a prior movement and we were asking for a similar charge for this particular







1  
2 movement.

3 Q. For a one-time movement?

4 A. Yes, and I was not able to get it in the  
5 two or three day limit that was imposed by our customer  
6 at the other end.

7 BY THE CHAIRMAN:

8 Q. May I clear up one thing: In the traffic  
9 moved by your council or by your members, what percentage  
10 would be subject to the last freight increase, the 17  
11 per cent?

12 MR. KIDD: I would have no idea specifically,  
13 Mr. Chairman, but I would think that a very considerable  
14 percentage of it would have been subject to the 17 per  
15 cent.

16 Q. Well, across the country we have heard so  
17 much from so many of the members of the association about  
18 their agreed charges that I was wondering whether you  
19 could put any figure on what were the 17 per cent increases.

20 MR. KIDD: I could not, Mr. Chairman. Our  
21 traffic moves under a great variety of rates and agreed  
22 charges so far have come very little into the picture.  
23 There are only about two or three agreed charge contracts  
24 applicable to fruits and vegetables and they primarily  
25 are concerned with the movement of maritime potatoes.  
26 There is another structure of rates made by the Board  
27 of Transport in the British Columbia tree fruits judg-  
28 ment of two years ago which did bear the 17 per cent  
29 increase which later was reduced to ten per cent. A  
30 great number of the motor competitive rates out of  
eastern Canada also bore the 17 per cent increase and in





1  
2 some of those cases the 17 per cent still stands and  
3 are not back down to the ten per cent. It would be most  
4 difficult to even hazard a guess as to the proportion  
5 but I would say it would be considerable.

6 Q. Another thing, you referred to the branch  
7 line subsidy, would you charge that subsidy to branch  
8 lines to the locality? How would you handle that?

9 MR. KIDD: That, of course, was my own personal  
10 observation.

11 Q. Yes. Would you charge that to the branch  
12 line?

13 MR. KIDD: I would.

14 Q. And collect it from them?

15 MR. KIDD: Well, that would be a question of  
16 public policy whether it should be collected from the  
17 area concerned or from the over-all authority.

18 Q. Can you give me any idea as to how you  
19 would collect it?

20 MR. KIDD: I am sorry, I could not.

21 THE CHAIRMAN: Mr. Mauro?

22 CROSS-EXAMINATION BY MR. MAURO:

23 Q. I would like to ask Mr. Kidd one or two  
24 points that my learned friend, Mr. Sinclair, has raised.  
25 Mr. Kidd, when you were preparing yourself for cross-  
26 examination before this Commission, did you make an  
27 extensive study of the problem of the movement of grain  
28 under statutory rates?

29 MR. KIDD: I did not.

30 Q. And you have not perused the cost evidence  
submitted to this Commission to date?

MR. KIDD: No, sir.







1  
2 Q. In fact, you do not purport to be an  
3 authority either on the Crow's Nest Pass agreements or  
4 the costing factors involved in the movement of grain  
5 in Canada to points of export?

6 MR. KIDD: Far from it.

7 Q. But the one position that you as an  
8 experienced traffic man do take is on the general  
9 principle that any traffic carried at a deficit, below  
10 the variable costs, throws an additional burden on other  
11 freight movements, is that correct?

12 MR. KIDD: That is correct.

13 Q. You as an experienced traffic man would  
14 therefore take the position that any traffic or any  
15 rail operations which were being maintained at a deficit  
16 were in a similar position, placing this additional  
17 burden on other freight traffic, is that correct?

18 MR. KIDD: If any traffic that is moving out  
19 under rates which are not compensatory, yes, I think  
20 that would increase the over-all deficit picture, and  
21 other traffic must necessarily bear that expense.

22 Q. You mentioned that it is your considered  
23 opinion now that perhaps the time has come where less  
24 attention should be placed on value of service and a  
25 little more consideration be given to the cost of service  
26 principle?

27 MR. KIDD: Yes.

28 Q. But in your consideration of cost of  
29 service you made it clear to my learned friend that  
30 you would not for a moment suggest that all the movements  
of fruit and vegetables could be at fully distributed





1  
2 costs?

3 MR. KIDD: No. Our picture is that in our  
4 marketing operations, we must get our transportation  
5 costs on the marketing picture at destination and the  
6 shippers' or growers' position at origin. You frequently  
7 could have what you might call a pioneer movement, which  
8 must necessarily move at less than cost to establish the  
9 movement, to establish the business. Our industry, I  
10 think, wants to have as much freedom in rate making as  
11 it is possible to have.

12 Q. Mr. Kidd, as an experienced traffic man,  
13 would you accept the well-established principle that,  
14 if a large volume movement is returning a comparatively  
15 small contribution to revenue, it is preferable that the  
16 railway maintain that traffic than lose it?

17 MR. KIDD: If it is over and above.

18 Q. Making a contribution above the line?

19 MR. KIDD: Yes.

20 Q. This is a sound principle of rate making  
21 because if they have a large volume making a little money  
22 it is better than a little volume making large money --  
23 you balance them off?

24 MR. KIDD: There is a dividing line.

25 Q. A dividing line where you get a diminishing  
26 return? You would expect that any large commodity move-  
27 ment having particular handling characteristics would  
28 be expected to bear fully distributed costs --- certainly  
29 not fruit and vegetables?

30 MR. KIDD: I would say it would be impossible  
for a commodity like ours to do that, because --- well,







1  
2 bluntly, the markets that we have are governed almost  
3 entirely by the law of supply and demand. We could have  
4 gluts, scarcities, and everything else all over the  
5 country if we were subject to a specific rail rate  
6 structure.

7 Q. One of the gentlemen with you said, I  
8 think, that one of two things would happen; either the  
9 traffic would move into some other mode of transportation  
or you would lose the market?

10 MR. KIDD: It would not move at all.

11 Q. Just pursuing your statement as to the  
12 matter of deficit operations generally, you would apply  
13 --- to be specific now --- the same principle to passenger  
14 services? I think it is pretty commonly accepted that  
15 passenger operations of the railways are being maintained  
16 at a very serious deficit. If this Commission were to  
17 conclude, Mr. Kidd, that some of these passenger services  
18 were in the national interest or public interest, then  
19 you, as an experienced traffic man, would apply to it  
20 the same rule that you apply to other deficit movements  
21 and say that if it must be maintained in the national  
22 interest then some form of subsidy or assistance be  
given so as to remove that burden from the shipper?

23 MR. KIDD: The allocation of certain parts of  
24 it, yes.

25 Q. If this Commission after deliberations  
26 were to find that there were certain branch lines being  
27 maintained in the public interest, then your approach  
28 as an experienced traffic man would be the same, that  
29 if it is in the public interest, then the public  
30







1  
2 generally should bear any losses experienced and they  
3 should be taken off the back of the freight shipper?

4 MR. KIDD: I would think so, sir, because  
5 otherwise -- we are speaking now of railways, I suppose  
6 -- they could not maintain their position in respect of  
7 traffic like ours.

8 Q. I think the Commission would be interested  
9 in your view on this branch line matter, Mr. Kidd, that  
10 it is not sufficient, I put it to you, to simply assess  
11 actual costs and actual revenues in trying to conclude  
12 as to the profitability of a branch line operation  
13 because I think you will agree that branch lines generate  
14 traffic for the main lines?

15 MR. KIDD: Yes.

16 Q. There is an overlapping of rates and  
17 disbursements that have to be taken into consideration?

18 MR. KIDD: That is what I had in mind earlier  
19 when I said there were so many imponderables in the  
20 operation of a branch line of that kind. I do not know  
21 where one starts and the other finishes.

22 Q. In short, Mr. Kidd, as an experienced  
23 traffic man you would say to this Commission that it  
24 should look at the whole freight rate structure and  
25 try to assess the feasibility of taking away many of the  
26 burdens that are at present being placed on the freight  
27 shipper unnecessarily and putting them where they should  
28 be placed?

29 MR. KIDD: That is my personal opinion, yes.  
30





CROSS-EXAMINATION BY MR. DOHERTY:

Q. I believe Mr. Mauro has dealt with most of the questions I had in mind. I did want to ask you, Mr. Kidd, though, if your experience in traffic and traffic movement has been confined largely to Ontario or to the east?

MR. KIDD: It has, yes.

Q. You had never had any occasion to be engaged in traffic movements with respect to grain in the western provinces?

MR. KIDD: No, my experience for the past twenty-two years has been entirely confined to fruits and vegetables. While I have been located in the east, we have had various parts of our considerations and so on pertaining to western Canadian operations as well. Ours is a national body. While western Canada has several of its own individual traffic departments, our department has been consulted on frequent occasions. That is the extent of my experience in western Canada.

Q. I think that in reply to Mr. Mauro you said that you had not studied in detail the Crow's Nest agreements or any of those matters.

MR. SINCLAIR: Here my friend is using the plural today. I wonder what agreements he refers to, or if this is just a slip of the tongue -- by both Mr. Mauro and my friend. I think in fairness to the witness, if there is more than one, he should be told whether there are.

MR. DOHERTY: I am quite happy to confine myself to the agreement.







1  
2 MR. SINCLAIR: That is the one that has been put  
3 an end to.

4 COMMISSIONER BALCH: I made that mistake too.

5 MR. DOHERTY: Q. In dealing with matters of  
6 freight shipments, Mr. Kidd, you of course had problems  
7 peculiar to fruit. You mentioned that the matters of  
8 refrigeration and heating are matters that you must  
9 consider in shipping fruit, is that not so?

10 MR. KIDD: Yes, sir.

11 Q. In dealing with the question of grain,  
12 would you also agree that there are certain loadability  
13 factors which are favourable in the loading of grain and  
14 that these must be taken into consideration in determining  
15 the adequate rate for the movement of grain?

16 MR. KIDD: The transportation characteristics,  
17 yes.

18 MR. DOHERTY: Thank you, Mr. Kidd.

19 BY COMMISSIONER GOBEIL:

20 Q. Mr. Kidd, I have been told on different  
21 occasions by a retailer in Quebec that the B. C. fruit  
22 had made great inroads in that province due to being  
23 better presented and having more uniformity in the quality  
24 of the product. I do not want to ask you to qualify this  
25 statement, but in your business of fruit and vegetables  
26 the uniformity of this product is very important, isn't  
27 it?

28 MR. KIDD: Very important indeed, sir.

29 Q. Do you think that, especially on a long  
30 haul, that trucks can give as much uniformity in the





1  
2 quality of the product as the rail?

3 MR. KIDD: That, I would suggest, is still in  
4 the throes of development. You will find cases where  
5 truck movements have not produced a satisfactory arrival.  
6 In other cases, you will find that the truck movement  
7 has produced very satisfactory arrivals. I would say that  
8 the truck manufacturers and operators today are in the  
9 throes of development and I have no doubt in the world  
10 that it will not be too long before they will have  
11 equipment that will produce satisfactory arrivals  
12 generally.

13 Q. I was wondering, with regard to paragraph  
14 13, if the greater percentage of handling by trucks,  
15 which was disconcerting for the industry, was not due  
16 to this possible difference in the uniformity of the  
17 product?

18 MR. KIDD: There is a factor, Mr. Commissioner,  
19 that I think I overlooked, when we were talking about that  
20 phase of disconcerting the industry. Generally the  
21 scope of the market has been shrinking a bit, because  
22 of a lack of what I might call co-ordination with the  
23 rail carriers, because the industry has been primarily  
24 leaning towards rail movement and has looked to them for  
25 their transportation, and the discouragement or lack of  
26 encouragement it had in a few incidents over the past  
27 year or two, but it probably is that that disconcerting  
28 might be removed when the truck people develop equip-  
29 ment and so on that is satisfactory.

30 Q. On your page 4, at the end of paragraph 16,  
you have two paragraphs beginning "Whereas" and "Resolved",







Brown,  
Kidd,  
(Gobeil)

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1  
2 about a centralized point of contact. What you are  
3 referring to there are problems which involve only your  
4 association and the railroads? It does not involve  
5 anything with the Board of Transport Commissioners?

6 MR. KIDD: No, Mr. Commissioner.

7 Our idea generally, in substantiation of this  
8 picture, is that if we were given with the railway companies  
9 an authority of the kind we envisage we then could sit  
10 down with that authority as an industry and resolve 90  
11 per cent of the problems that now exist, without reference  
12 to any outside authority whatsoever.

13 COMMISSIONER GOBEIL: Thank you, Mr. Kidd.

14 BY COMMISSIONER MANN:

15 Q. Mr. Kidd, before I ask you my one or two  
16 questions, I just want to associate myself with the  
17 affirmations of faith that have been made in your  
18 knowledge of traffic. I certainly -- and this is spoken  
19 from personal knowledge -- know of no one in this country  
20 who is more familiar with the transportation problems in  
21 your particular industry than yourself, and it gives  
22 me great pleasure to be able to say that.

23 MR. KIDD: Thank you, Mr. Commissioner.

24 Q. Mr. Kidd, you have mentioned that in your  
25 opinion the average economic haul by truck for products  
26 of your industry is in the neighbourhood of 300 miles, and  
27 yet we know that there are truck movements over consider-  
28 ably longer distances. What I wanted to ask you is: to  
29 what extent is the buy and sell operation a factor in the  
30 distribution of vegetables and fruits by truck in Canada?







1  
2 MR. KIDD: You mean, Mr. Commissioner Mann,  
3 whether or not they are consignment sales or f.o.b.  
4 shipments?

5 Q. The case that I have in mind is where the  
6 owner of a motor truck goes to the farmer, buys the  
7 merchandise, takes it to the destination and sells it  
8 there, making his profit along the road somewhere.

9 MR. KIDD: I have no specific knowledge of  
10 that, Mr. Commissioner Mann, but possibly, Mr. Latchman,  
11 would you have any knowledge of that?

12 MR. LATCHMAN: I would imagine that the situation  
13 is one of many kinds of freighting situations within the  
14 industry, but with the development of shipping point  
15 organizations at grower level or at shipping level there  
16 is less and less of the individual trucker going out  
17 and buying a load of fruit or vegetables and taking it  
18 to a market. More and more there is the orderly marketing  
19 of fruits and vegetables that is required by the industry.

20 Q. So that actually this is one of the reasons  
21 that your industry prefers a rail haul, because you can  
22 get more regularity in this connection?

23 MR. KIDD: Yes, sir.

24 Q. And it would tend not to break down the  
25 price structure as much as the unscheduled arrivals of  
26 trucks in markets?

27 MR. KIDD: They used to call them the "fly by  
28 night" operators who operated that way, and they were  
29 very disturbing elements in most of the terminal markets.

30 (Page 9620 follows)





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TORONTO, ONTARIO

Brown  
Kidd  
(Mann)

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1 Q. Coming to these terminal markets, Mr.  
2 Kidd, the statistics that you have given us -- and  
3 we have already got them on the record -- are in the  
4 DBS Report of unloads of fresh fruit and vegetables at  
5 twelve Canadian markets. That is correct?

6 MR. KIDD: Yes.

7 Q. Those markets are across the country, but  
8 they do not necessarily constitute or give you a picture  
9 of all the unloads; this is a sample, is it not?

10 MR. KIDD: It is a sample as far as it goes  
11 of the twelve markets, and in our figure of 150,000  
12 we have just taken an arbitrary figure of 20 per cent  
13 increase.

14 Q. Would the smaller markets -- would there  
15 be a tendency for more truck arrivals than rail arri-  
16 vals at Kitchener, just giving you one example?

17 MR. KIDD: I would think Kitchener, yes.

18 In any of the smaller markets throughout  
19 Ontario, I would imagine, southwestern Ontario, southern  
20 Ontario, if you will, the truck proportion would be the  
21 greater.

22 Q. Is that partly because you can originate  
23 a truck at Hamilton and then go on to, say, St.  
24 Catharines, with great ease?

25 MR. KIDD: That is the factor.

26 Q. I believe I recall reading that in the  
27 United States -- and I think this is ex-Florida or  
28 ex-California -- piggy-back operation of fresh fruits  
29 and vegetables has now become quite a factor. This is  
30







1 not, according to your evidence, a factor in Canada.  
2 Why?

3 MR. KIDD: Well, I have observed previously,  
4 Mr. Mann, that the experience so far has demonstrated  
5 that the equipment available is not suitable. The  
6 experience that has been obtained was not very satis-  
7 factory.

8 Q. You are referring more to refrigeration  
9 or to heater service, or to both?

10 MR. KIDD: Refrigeration in this case. I don't  
11 know whether they tried heat.

12 Q. What I wondered was, that Canadian National,  
13 for instance, in its service in the Atlantic provinces  
14 will allow for the movement of perishables at a surcharge  
15 of 10 per cent of the rate. Have you ever tried shipping  
16 fruits and vegetables that way by piggy-back?

17 MR. KIDD: No. As a matter of fact, that  
18 matter was discussed in the maritimes a few months ago  
19 and they didn't know, to tell you the truth, that the  
20 service was available, and it may well be that since  
21 that time some use has been made of it.

22 Q. You think it may be a factor in Canada in  
23 the future?

24 MR. KIDD: Oh, I have quite a feeling that it  
25 will. We have areas -- I mentioned the Bradford area  
26 earlier, but we have the Leamington area, we have the  
27 Chesapeake highway, which may involve movements up to  
28 the Canadian Pacific or Canadian National, which is a  
29 time-consuming thing. It may be that piggy-back in the  
30





Brown  
Kidd  
(Mann)

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1 Leamington area would be quite practical, quite useful.

2 Q. I had a little difficulty in getting  
3 something into my head about your proposed authority.  
4 You want something which is flexible. I think in  
5 reply to a question -- I can't recall who asked it --  
6 you said you wanted more freedom of rate making at the  
7 local level. Is my recollection correct on that?

8 MR. KIDD: That could be embodied, yes.

9 Q. As Commissioner Gobeil has pointed out,  
10 you mentioned that you wanted a centralized authority.  
11 I have a little difficulty reconciling those two matters.  
12 Perhaps there is an easy explanation.

13 MR. KIDD: I don't know that they can be  
14 reconciled exactly. I think it might be explained that  
15 what the industry would like to have is an authority  
16 with each carrier to whom problems -- put it this way --  
17 who would be responsible to his company for the transpor-  
18 tation of the fresh fruit and vegetable production of  
19 Canada, and to that gentleman or more than one gentle-  
20 man, wherever he might be, we could present our problems,  
21 and if we -- put it this way -- if we sold him the idea  
22 he then would carry the ball to a conclusion quickly,  
23 either one way or the other. Whether that would involve  
24 only one centralized authority or whether it would  
25 mean a decentralization, I think that would be within  
26 the jurisdiction of the carriers themselves.

27 Q. You would be quite happy if you had a  
28 specialist in Montreal, say, in the Freight Traffic  
29 Department who was fully familiar with the rate  
30





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Brown  
Kidd  
(Mann)

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1 organization and the problems in the fruit and vegetable  
2 trade in Canada?

3 MR. KIDD: Yes.

4 Q. You deal directly with the New York  
5 Central in the United States -- you have some dealings?

6 MR. KIDD: Very few.

7 Q. I understand that they have closed various  
8 divisional freight offices and are relying now on having  
9 specialists in one location. They feel that that makes  
10 for more expeditious handling of rate and service pro-  
11 blems than having people in local offices. Is that  
12 what you had in mind?

13 MR. KIDD: Not exactly the same as that. We  
14 had it in mind that it was a commoditywise service.

15 Q. It was a commodity specialist?

16 MR. KIDD: It could be.

17 Q. Has your Association addressed its mind  
18 to the possibility in which, say, in five or ten years,  
19 or earlier, air cargo may be a factor in the distri-  
20 bution of fresh fruits in Canada?

21 MR. KIDD: I don't think the Association has  
22 given any consideration to that phase, but there have been  
23 spot movements of fruits particularly by air cargo.

24 Q. Strawberries, for instance, from Prince  
25 Edward Island?

26 MR. KIDD: Yes -- California.

27 Q. I was looking at the 1958 Waybill Analysis,  
28 and I took the peak ton mile movements out, and fresh  
29 grapes, for instance -- these are all western to western  
30







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Brown  
Kidd  
(Mann)

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1  
2 movements -- the ton mile revenue is 7.59 cents per  
3 ton mile for 469 miles, fresh berries, 9.43 cents per  
4 ton mile for 342 miles, fresh peaches, 834 miles, 4.97  
5 cents per ton mile, and fresh fruits, generally, 875  
6 miles, 5.07 cents per ton mile.

7 Now, if air cargo costs come down within the  
8 range of some of these ton mile earnings -- and I have  
9 in mind that packaging requirements may be easier and  
10 the speed greater -- do you think that air cargo could  
11 become a factor?

12 MR. KIDD: I have no doubt. There are  
13 other factors in connection with air cargo that will  
14 still have to be resolved, and that is the protection  
15 of the goods at high altitudes. We have had trouble  
16 with that.

17 COMMISSIONER MANN: Thank you.

18 THE CHAIRMAN: Thank you very much, Mr. Kidd  
19 and gentlemen.

20 MR. BROWN: May I thank you on behalf of the  
21 Canadian Horticultural Council for the hearing we have  
22 had today.

23 THE CHAIRMAN: We will adjourn until two o'clock.

24  
25 ---Luncheon adjournment.  
26  
27  
28  
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30





1  
2 ---On resuming at 2.00 p.m.

3  
4 SUBMISSION OF  
5 CANADIAN INDUSTRIAL TRAFFIC LEAGUE

6 Appearances:

7 Mr. R. Eric Gracey, General Secretary.

8 Mr. A. F. Downey, Past President.

9 Mr. E. Cheeseman, Chairman of the Railway  
10 Freight Rates and Tariffs  
11 Committee.

12  
13 GRACEY, R. ERIC, called.

14 THE WITNESS: Mr. Chairman and Commissioners,  
15 my name is Robert Eric Gracey; I am General Secretary  
16 of the Canadian Industrial Traffic League. I have held  
17 this position since November, 1955. I have with me  
18 today Mr. A. F. Downey, who is a past president of our  
19 organization, and who has been chairman of the special  
20 coordinating committee that prepared this brief.

21 Mr. Downey is from Toronto. I also have with me  
22 Mr. Ernest Cheeseman from Montreal, who is our national  
23 chairman of our railway freight rates and tariffs com-  
24 mittee.

25 I have been instructed by our organization to  
26 present this brief, and, if we may have your permission  
27 from time to time, if there are questions that require  
28 the consultation of these two gentlemen, I would like  
29 to have that.

30 THE CHAIRMAN: That is perfectly all right.







1  
2 THE WITNESS: I have also in attendance a  
3 number of other gentlemen: I have the treasurer of our  
4 organization and also a vice-president of our organization,  
5 and people like that.

6 THE CHAIRMAN: Well, you should be able to  
7 answer all the questions.

8 THE WITNESS: Yes. It is a great pleasure  
9 for the League to be able to present its submission to  
10 this body, and I have been asked to give the League's  
11 best wishes to your arduous task. It is hard enough  
12 for us to prepare our brief, and we humbly hope this  
13 brief will be of some aid.

14 I might add a little bit about the preparation  
15 before this brief came into being, that it was the result  
16 of activities that started on the same day, May 13, the  
17 date of the announcement of the foundation of your  
18 Commission. We were holding a directors meeting in  
19 Montreal that day, and we formed a committee to prepare  
20 this brief. I can assure you that the League has given  
21 this matter the most serious consideration, and we have  
22 asked for the views of our individual members across  
23 Canada. We have asked for the views of our six provincial  
24 groups, which we know as "divisions". We have divisional  
25 groups in British Columbia, Alberta, Saskatchewan,  
26 Manitoba, Ontario and Quebec. We do not have a divisional  
27 group in the maritime provinces. We have received their  
28 views and we have also, on Mr. Downey's special committee,  
29 about six gentlemen who are chairmen of various standing  
30 committees. Mr. Cheeseman deals with railway freight  
rates. We have a man on highway transportation,





1  
2 classification, export and import -- those men have been  
3 on this special committee. Then, of course, we have the  
4 officers of our League who have been involved. We have  
5 considered various drafts, and they have been reconstructed,  
6 but the principles and major themes that you have before  
7 you today have been approved at our annual general meeting  
8 which was held in Toronto on February 16, 1960.

9 I am now ready to present the brief,  
10 Mr. Chairman.

11 THE CHAIRMAN: Go ahead.

12 THE WITNESS: Mr. Chairman and Commissioners,  
13 the Canadian Industrial Traffic League (Inc.) is a  
14 national organization expressly serving the transportation  
15 interests of its members.

16 2. The efficient and economical transportation of  
17 goods and of persons on behalf of their firms is the main  
18 responsibility of traffic management personnel. This  
19 submission contains the views and opinions of those who  
20 are directly responsible for the purchase of transporta-  
21 tion on behalf of their companies.

22 3. The submissions which we put forward at this  
23 time to the Royal Commission are done with the highest  
24 respect for the Canadian railways. The League would wel-  
25 come the opportunity to discuss with the railways in  
26 more detail the suggestions we now make, if we can be of  
27 help.

28 4. This submission by the League is being made  
29 on the understanding that nothing contained herein shall  
30 be deemed to abridge the rights of the League's individual  
member companies to make other or separate submissions







1  
2 elaborating hereon or differing herefrom the views  
3 expressed in this submission.

4 5. Since 1916 it has been the endeavour of the  
5 League at all times to co-operate with the transport-  
6 ation companies; federal and provincial regulatory bodies;  
7 royal commissions; and other organizations interested  
8 in the promotion, conservation and protection of a sound  
9 national transportation industry.

10 6. The League now consists of over 1,150 traffic  
11 personnel representing over 550 industrial and commercial  
12 concerns operating from coast to coast in Canada. The  
13 League is therefore concerned with all aspects of  
14 transportation which affect the economic and social  
15 welfare of Canada.

16 7. The League has noted a substantial growth of  
17 private transportation in Canada in recent years.  
18 Privately owned transportation has been considered by  
19 many as a solution to increasing freight costs and  
20 unsatisfactory service. It has been realized that  
21 private transportation may seriously affect the for-  
22 hire carrier industry, and that with the diversion of  
23 traffic to private carriage, the competitive struggle  
24 for the remaining traffic becomes more intense. We are  
25 of the opinion that private carriage exerts a powerful  
26 regulatory force on the rates of the for-hire carriers.

27 8. It is the League's belief that a sound trans-  
28 portation system is essential not only for the industry  
29 and commerce of Canada, but, also for our national  
30 defence. It is therefore necessary to maintain our  
transportation system in the healthiest condition







1  
2 possible. Canada cannot afford to have its for-hire  
3 carriers experience serious economic trouble.

4 9. The League at this time respectfully wishes to  
5 present a submission relating to the minute of the  
6 Privy Council P. C. 1959-577, under the respective  
7 headings:

8 A. Inequities in the freight rate structure, their  
9 incidence upon the various regions of Canada and  
10 the legislative and other changes that can and  
11 should be made, in furtherance of national economic  
12 policy, to remove or alleviate such inequities."

13 10. In recent years increased operating costs and  
14 intensified competition from other modes of transport-  
15 ation have caused the railways to adjust their freight  
16 rate structure in varying ways. As a result of such  
17 actions, allegations have been made of inequities in  
18 the freight rate structure.

19 11. We are somewhat perplexed as to the use of the  
20 words "inequities in the freight rate structure". Our  
21 interpretation of the word "inequity" is: - Rates that  
22 are "unjust" or "unfair". For such inequities we  
23 believe that there is a remedy provided under section  
24 328, subsection 5 of the Railway Act.

25 12. In a country the size of Canada there is  
26 always the possibility of certain inequalities in rates.  
27 In our opinion some of these could be caused by  
28 statutory rates, government subsidies and the impact of  
29 horizontal general increases bearing on long haul  
30 traffic.

We respectfully draw the attention of the





1  
2 Commission to our remarks concerning statutory rates  
3 under heading "B" and government subsidies under heading  
4 "E".

5 13. It is our opinion that the railways may investi-  
6 gate a system of prices designed to permit the intermode  
7 exchange of traffic. They may investigate such develop-  
8 ments as: -- Solid and collapsible container rates which  
9 may be based on the weight, bulk and distance moved  
10 rather than the type of lading inside. Efforts may also  
11 be made to attract "less -than-carload" or "small ship-  
12 ments" back to the rails by the provision of "all-freight"  
13 rates which will move goods at an average rate with the  
14 minimum of paper and clerical work or other such related  
15 matters. The League realizes that if any or all of such  
16 or like changes be made in the freight rate structure,  
17 there will be yet further departures from current rate  
18 relationships, probably resulting in further inequali-  
19 ties.

20 B. The obligations and limitations imposed  
21 upon railways by law for reasons of public  
22 policy, and what can and should be done to  
23 ensure a more equitable distribution of any  
24 burden which may be found to result therefrom.

25 14. The League respectfully requests that this  
26 Commission recommend that the Board of Transport Com-  
27 missioners for Canada determine just and reasonable rates  
28 on grain and flour within the territory referred to in  
29 subsection 6 of section 328 of the Railway Act, Chapter  
30 234 and rates based on this formula as covered by  
General Order 448 of August 27th, 1927, issued by the







1  
2 Board of Transport Commissioners for Canada.

3 15. The League recommends that the difference  
4 between any statutory rate and normal reasonable rate  
5 so determined be borne by the national treasury.

6 C. The possibility of achieving more economical  
7 and efficient railway transportation.

8 16. It is our conviction that satisfactory and  
9 workable solutions for present and future problems in  
10 rail transportation are available and that they will  
11 come through the accumulated experience and wisdom of  
12 railway transportation men. The railways' ability to  
13 surmount their difficulties will largely depend on the  
14 farsightedness with which their management attacks the  
15 problems. In some departments, the Canadian railways  
16 displayed imagination and initiative as they advanced  
17 in the post-war years. Their leadship will still have  
18 to be of the most imaginative and determined kind.

19 Aggressive, persuasive ideas and innovations in all  
20 departments will be required of an able, spirited and  
21 energetic leadership.

22 17. We of the League, would like to draw the atten-  
23 tion of the Commission to some areas which we feel deserve  
24 the particular attention of railway management.

25 18. Work to eliminate services not required by  
26 public necessity. This suggestion for the improvement of  
27 the railways' efficiency has been widely accepted by  
28 the League membership. It is our feeling that the railways  
29 must be alert to curtail or eliminate any phase of  
30 railway service which, because of changing customer needs,  
no longer performs a useful function and is no longer profit-  
able.





1  
2 19. Work with other railways to reduce duplications  
3 wherever practical and in the public interest. We feel  
4 study should be intensified to determine the feasibility  
5 of pooling station facilities and operating equipment  
6 whereby both major railways could use the same facilities  
7 for freight as they do in certain instances on passenger  
8 and telegraph service.

9 20. Develop and exploit actual and potential  
10 advantages. The railways maintain many special services  
11 and arrangements that they provide at a cost for their  
12 patrons. However, it may be possible that all railway  
13 patrons or potential railway patrons are not fully aware  
14 of such features as stop-off for storage and other pur-  
15 poses; transit arrangements; and free time for loading  
16 and unloading of cars. It is felt that an aggressive  
17 campaign to acquaint present and potential shippers of  
18 these and other similar advantages offered by the rail-  
19 ways would be of benefit.

20 21. Work co-operatively with other modes of carriage.  
21 It is our opinion that a more efficient national trans-  
22 portation system will be developed through the co-oper-  
23 ation of the activities of the various forms of trans-  
24 portation. To this end we think the railways should  
25 co-operate with the other modes of carriage in order  
26 that through services, and through bills of lading might  
27 be provided to the shippers and receivers of Canada.

28 22. Piggy-back, a graphic illustration of co-  
29 ordination, is considered by many as the first step  
30 towards the goal of truly economical transportation,  
which means more inter-agency co-operation. Piggy-back





1  
2 has established a trend, though on a relatively small  
3 scale. The day is coming when a large amount of freight  
4 will move in containers which will easily interchange  
5 between rail, truck, ship and plane.

6 23. Increased operating research activity. The  
7 Canadian railways during the post-war years have been  
8 quite energetic in adopting improved technology. There  
9 have been developments such as pushbutton classification  
10 yards; centralized traffic control; maintenance of way  
11 improvement; dieselization; improved locomotive and car  
12 shops; new accounting and billing procedures; improved  
13 communications and some specialized types of freight  
14 equipment. We realize that more has to be done along  
15 these lines in the future and are aware of the  
16 limitations set by financial considerations.

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19 (Page 9641 follows)  
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- 1 24. The railways should consider the following
- 2 A. Facilities that will tend to reduce the
- 3 damage to lading.
- 4 B. Facilities that will reduce the shippers
- 5 costs of packing, stowing, bracing and
- 6 unloading.
- 7 C. Provisions for increased bulk shipments
- 8 in solid and collapsible containers.
- 9 D. Consideration of the requirements of
- 10 shippers and consignees for specially equip-
- 11 ped cars where the traffic warrants.
- 12

13 25. Marketing research. Few trends in industry

14 have captured more attention in the past few years than

15 the new concept of total marketing. The League believes

16 that the railways should fully investigate the pos-

17 sibility offered by this approach to their customers'

18 needs and requirements.

19 26. Market research is a fundamental way of

20 doing business. It is the satisfaction of customer

21 needs and desires at a profit. Marketing research should

22 point the way to profitable tonnage for the railways

23 and should also direct their attention to situations

24 where the railways are handling traffic at a loss.

25 27. Market research is the technique of determining

26 what the customer would buy if he could get it. This

27 should be accomplished by studying their transportation

28 requirements in order to find out what type of service the

29 customer wants.

30 28. Among the transportation requirements of





1 today's customers are:

- 2 1. A door-to-door pickup and delivery.
- 3 2. Better and more reliable transit time.
- 4 3. Better loading and unloading services.
- 5 4. Prevention of loss and damage claims.
- 6 5. More personalized and flexible services.
- 7 6. An intermode transportation service.

8 29. No doubt the following questions are of para-  
9 mount interest to the railways and they could be answer-  
10 ed by the shippers and receivers.

- 11 1. What goods are now being moved in our opera-  
12 tional area?
- 13 2. Why do they move via certain carriers?
- 14 3. What kind of rates and services must we  
15 offer to obtain a larger share of the busi-  
16 ness?
- 17 4. Can we attract enough traffic to pay the  
18 cost of improving or changing our trans-  
19 portation and marketing effectively?

20 30. After the customers' needs and desires have  
21 been identified the market department should endeavour  
22 to provide a better service to meet these wants. The  
23 marketing department should take the lead in  
24 determining what each function of the railway business  
25 should do by way of product and service to satisfy  
26 these needs and desires.

27 31. The railways should also consider the follow-  
28 ing subjects for possible market research.

- 29 A. Situations where whole volumes of business  
30







1 have disappeared from the railways to other  
2 carriers.

3 B. Performance records based on movements of  
4 actual cars.

5 C. Facilities to make it easier for the customer  
6 to do business with the railways.

7 D. Total distribution costs of customers'  
8 industries.

9 E. Prompt notification of delayed shipments.

10 32. Selling. The League has noticed that for  
11 some years the emphasis in the railway business has been  
12 along the lines of improving the efficiency and economy  
13 of production. While there are many things that  
14 still remain to be done to improve the operations of  
15 the railways, we believe that the emphasis in future  
16 years must be on the marketing and sales efforts of  
17 the railway companies.

18 33. The railways' approach for getting business  
19 has been hampered by an insufficient appreciation of the  
20 customers' requirements and by the lack of aggressive-  
21 ness to increase their share of Canada's traffic. The  
22 railways must realize that there is a sharpened and  
23 intensified competition between all carriers for the  
24 available traffic. One answer to this situation is  
25 more selling.

26 34. The railways should consider the following  
27 subjects when planning for increased sales.

28 1. Increase the acquaintance of sales personnel  
29 with their customers' business and  
30





1 transportation problems related thereto.

2 2. Further education of sales personnel  
3 in rate matters and procedures.

4 3. A closer integration between sales per-  
5 sonnel and rate personnel to be of greater  
6 assistance to shippers and thus enable the  
7 railways to retain or secure business.

8 4. Consider the enlarging of their sales  
9 organization to put themselves on a more  
10 even footing with their competitors.

11 D. Whether, and to what extent, the Railway  
12 Act should specify what assets and  
13 earnings of railway companies in businesses  
14 and investments other than railways should  
15 be taken into account in establishing  
16 freight rates.

17 35. This matter has been heard by the Board of  
18 Transport Commissioners for Canada. The Board dealt  
19 with this subject in its Judgments dated March 30,  
20 1948 (Colume XXXVIII J.O.R. & R. Pamphlet 1-A commencing  
21 Page 18) and the subsequent Judgment of February 15,  
22 1954 on the "Rate base-rate return" Case (Volume XLIII  
23 J.O.R. & R. 22-A). The League is in agreement with  
24 these Judgments.

25 E. Such other related matters as the  
26 Commissioners consider pertinent or  
27 relevant to the specific or general  
28 scope of the inquiry.

29 36. For a variety of reasons, subsidies have been  
30





1 established in connection with the railway freight  
2 rate structure. It is likely that changes have taken  
3 place in the conditions existing from the time each  
4 subsidy was granted. The League submits that changes  
5 will take place in the future that will further alter  
6 the condition on which each subsidy is based.

7  
8 37. We respectfully request that your Commission  
9 recommend that a periodic review be made of railway  
10 freight rate subsidies by the Board of Transport  
11 Commissioners for Canada in order that appropriate  
12 amendments may be made when necessary.

13 THE CHAIRMAN: Mr. Cumming?

14 CROSS-EXAMINATION BY MR. CUMMING:

15 Q. Firstly, Mr. Gracey, I wonder if you  
16 would be good enough, for the benefit of the Commission,  
17 to outline to them just what in general terms the  
18 Canadian Industrial Traffic League does and how it  
19 functions in its operations?

20 A. We are a trade association of traffic  
21 management personnel. The members of our organization  
22 are the firms, the individuals are representatives of  
23 those companies. That is why we represent 550 firms  
24 and have 1100 members. These men meet from September  
25 through to May at monthly meetings across the country;  
26 we have that means of communication. We also publish  
27 a bulletin of information each week to our members which  
28 outlines -- we try to give them advance information on  
29 classification rates and other matters of interest.  
30 That is the way we chiefly serve our members.







1  
2  
3 Q. How about your dealings on their behalf  
4 with the railways? Do you have overall meetings with  
5 the railways dealing with general problems or are they  
6 on day-to-day details?

7 A. No, on general problems of national  
8 interest we will represent the League before the carriers.

9 Q. I want to turn your attention to paragraph  
10 7 of your brief, Mr. Gracey, where you say that the  
11 League has noted a substantial growth of private trans-  
12 portation in Canada in recent years and that privately  
13 owned transportation has been considered by many as the  
14 solution to increasing freight costs and unsatisfactory  
15 service. I take it this is intended to indicate that  
16 the growth of private transportation is a measure of  
17 the extent to which rates have been too high and ser-  
18 vices unsatisfactory in the public transportation  
19 facilities that are available?

20 A. For their particular companies.

21 Q. Is it the view of the League or is this  
22 a matter of individual views?

23 A. It is individual views.

24 Q. What is the League's position on the  
25 question?

26 A. We have no position. We have a committee  
27 just as we have committees on various subjects. We have  
28 a private motor truck committee, but they have no views  
29 as to whether a person should be in private carriage or  
30 should not be.





1 Q. Is there any differentiation in this view  
2 as between rail and for-hire trucks?

3 A. No, sir.

4 Q. Having pointed out this growth in trans-  
5 portation you say that it has been realized that private  
6 transportation may seriously affect for-hire carrier  
7 industry. In the last sentence of paragraph 8 you say:

8 "Canada cannot afford to have its for-hire  
9 carriers experience serious economic trouble."  
10 What do you say should be done about this situation?

11 A. This traffic is eroding to private carriage  
12 because of the service and cost factors. It is our  
13 belief that the common carriers must develop service  
14 standards and rate structures that will dissuade private  
15 trucking; the solution rests with them.

16 Q. And you are prepared to leave it entirely  
17 to them?

18 A. That is right.

19 Q. It is on the basis of a competitive situa-  
20 tion then?

21 A. Yes.

22 Q. Are there conditions which are better  
23 suited for private carriage than the use of rail or  
24 truck?

25 A. There are situations, I believe, in  
26 methods of distribution that a common carrier could not  
27 handle.

28 Q. Is that the League's view as a general  
29 situation?  
30







1 A. We have heard that expressed at meetings.  
2 We have no policy on the matter.

3 Q. Well, your policy, if I understand you  
4 correctly, is that you feel the commercial carrier, the  
5 for-hire trucker or the railways should so order their  
6 affairs that they can be more attractive than private  
7 carrier. You go no further than that?

8 A. That is right, sir.

9 Q. You are not prepared to suggest -- even  
10 assuming there could be that traffic -- any limitation  
11 on the entry of individuals into their own transportation  
12 operations, that is to say, you are not prepared to  
13 recommend any firm restriction on private carriage?

14 A. We want no restriction to be placed upon  
15 anybody from the possibility of entering the private  
16 transportation business.

17 Q. Just so I understand your position cor-  
18 rectly, you feel that throughout the whole area of  
19 transportation enterprise either for-hire traffic or  
20 the railway should be the medium and can be the medium?

21 A. We are not saying they should be, we say  
22 they could be.

23 Q. I am trying to define just what you do  
24 say?

25 A. We are saying this, that there is very  
26 little or any private transportation that could not be  
27 handled by the for-hire carriers if they developed the  
28 required service standards and the required rate  
29 structure.  
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Q. Are there any instances where, in your experience, you have seen people go into private carriage because of the service that they can thereby offer their customers, perhaps even regardless of higher costs that may be entailed?

A. Some people say that because they cannot get the service from the for-hire carrier that they feel they can provide themselves.

Q. If service becomes of that importance then how are the for-hire carriers to compete at economic rates?

A. I made the point that they have to do both things; they have to provide service and at a competitive price in order to enjoy the traffic that is being eroded to private transportation. They have to meet both these things because if they do not the business will go to private carriage. It is up to the private carriage to meet these two criteria.

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1  
2 Q. You say in paragraph 7, in the last  
3 sentence:

4 "We are of the opinion that private carriage  
5 exerts a powerful regulatory force on the rates  
6 of these for-hire carriers."

7 Is that, in the view of the League, a good thing?

8 A. It is just a statement of fact.

9 Q. Just a statement of fact? But it is a  
10 fact?

11 A. It is a fact.

12 Q. In the opinion of the League?

13 A. It is.

14 Q. If the common carriers and the railways  
15 and the for-hire truck offer rates and services at the  
16 levels and standards that you suggest, then it is your  
17 opinion that there would be no need for the private  
18 carrier?

19 A. There would be no interest in going into  
20 private carriage if they could get the rates and services  
21 that the people that are contemplating moving into  
22 private carriage desired.

23 Q. Do you see any danger if that situation  
24 were to come about resulting from the absence of the  
25 regulatory force that the private carriage now exerts?

26 A. I think that there will always be the  
27 possibility of the start of private carriage.

28 Q. This threat of competition?

29 A. The threat of competition. It is not  
30 just trucks. It may be pipe lines, or boats. Private







1 carriage embodies more than just one mode of transporta-  
2 tion.

3 Q. Yes, I appreciate that. The principle,  
4 the view that you have expressed is one which is appli-  
5 cable over the whole field of transport? 1

6 A. That is right.

7 Q. Is that regulatory force that you speak of  
8 as existing as a fact -- do you view that as a spur to  
9 cooperation between, say, the railways and the trucking  
10 industry in order to meet what might be described as a  
11 common enemy?  
12

13 A. I do not know whether they have recognized  
14 that or not.

15 Q. It is not a question of whether they have  
16 recognized it. Do you think that could be an incentive  
17 to that group?

18 A. It might be an incentive.

19 Q. Might it be, or would it be? Do you have  
20 any positive view on the matter?

21 A. I do not know what they would say.

22 Q. In other words, you are not attempting to  
23 read the railways' minds?

24 A. No.

25 Q. In the next paragraph you say that it is  
26 the League's belief that a sound transportation system  
27 is essential not only for the industry and commerce of  
28 Canada, but also for our national defence. Do you have  
29 in mind a consideration of national or public policy?

30 A. That is right, sir.





1 Q. As one aspect of that national policy or  
2 public policy, you refer to national defence. Are there  
3 other areas of public policy in respect of which you  
4 think the media of transportation should be used? What  
5 I have in mind here, Mr. Gracey, is this. What about  
6 regional relief such as is provided under the Maritime  
7 Freight Rates Act, or possibly the development of the  
8 Canadian North? Is it the League's view that those  
9 developments or those areas in which relief is given  
10 should be served through the medium of transportation  
11 agencies or do you think the government should adopt  
12 some other method of local encouragement? That is  
13 a pretty long question, I know.

14  
15 MR. SINCLAIR: Before the witness answers --  
16 and so that I might understand his evidence -- I have  
17 noticed on two or three occasions that my friend Mr.  
18 Mauro and now my friend Mr. Cumming used as an alternative  
19 "public or national policy". These two, maybe to myself,  
20 mean entirely different things and sometimes they are  
21 used as merely another way of saying the same thing. In  
22 view of the fact that we do not want to repeat what some-  
23 body else has covered, I wonder whether "public policy"  
24 can mean one thing and "national policy" can mean another?  
25 I am wondering when people use them if they are using  
26 them as alternatives, as the same thing, or are they  
27 referring to them as distinct matters?

28 MR. CUMMING: I was not using those as distinct  
29 matters. I am certainly not trying to confuse my friend  
30 Mr. Sinclair.







1 MR. FRAWLEY: Public policy under Section 91  
2 and public policy under Section 92.

3 MR. CUMMING: Now we have a third one.

4 MR. SINCLAIR: Those seem to be another statute  
5 that I remember -- 91 and 92 -- but they are like a living  
6 growing tree and they change from time to time. They  
7 are not like some other sections that I know, like 328,  
8 6 and 7 of the Railway Act, which no matter what changes,  
9 go on.

10 THE CHAIRMAN: We can settle that again.

11 MR. SINCLAIR: I thank my friend for bringing  
12 to the mind of the Commission the fact that the Constitu-  
13 tion changes but some other things do not.

14 MR. CUMMING: Q. Mr. Gracey, I do not know  
15 whether after all that you can be expected to remember what  
16 I asked you. What I really want to put to you is this,  
17 Mr. Gracey. To what extent is transportation an  
18 instrument of national policy? I am not going to give  
19 you an alternative term. I will say "national policy".

20 A. I believe that we would say that trans-  
21 portation serves all sections of the country effectively  
22 and should avoid adverse effects upon certain areas of  
23 the nation by unduly favouring other areas.

24 Q. Is it in your view an instrument of policy  
25 to the extent that it should be used for regional relief  
26 such as has been provided under the Maritime Freight  
27 Rates Act?

28 A. Our organization has up to now never  
29 sponsored a subsidy arrangement.  
30





1 Q. Would you take the same position over  
2 the question of northern development, as another example?  
3

4 A. We have never made a statement to that  
5 effect.

6 Q. Would you care to now?

7 A. No, sir.

8 Q. Dealing with this whole question of what  
9 you describe as a sound transportation policy, could you  
10 just, for the benefit of the Commission, give us your  
11 ideas as to what are the hallmarks or criteria of a  
12 sound transportation policy?

13 A. We do not use the word "policy". We  
14 say "sound transportation system".

15 Q. All right. What policy should bring about  
16 a sound transportation system?

17 THE CHAIRMAN: A sound transportation industry.

18 THE WITNESS: Yes. We want them to be  
19 economically strong so that they will each be able to  
20 compete. We do not want any of them to be bankrupt.  
21 We want them all to be able to serve the members of the  
22 League and the shipping public of Canada.

23 MR. CUMMING: Q. As part of that, and con-  
24 sistent with it, your position then, I take it, is that  
25 all these transportation agencies should pay their way?

26 A. What do you mean by "pay their way"?

27 Q. You say you want these people to be  
28 sound and be able to compete. Should they be able to  
29 get along in every instance without the aid of subsidies?

30 A. I think your previous question said that





1 in certain areas subsidies are required by national  
2 interests. We have not objected to those. We have  
3 not sponsored them. Therefore it may be necessary that  
4 certain carriers have subsidies. We are not objecting  
5 to them if the government decides that it is in the  
6 public interest, but we believe that the carriers that  
7 we want to deal with, that we want to have day-to-day  
8 dealings with, are going to be financially sound.

9  
10 Q. That is your basic and general position?

11 A. That is right.

12 Q. Some subsidies you will allow?

13 A. They are outside of our control.

14 Q. Going on over to the next page, Mr. Gracey.

15 In paragraph 10 you point out:

16 "In recent years increased operating costs  
17 and intensified competition from other modes of  
18 transportation have caused the railways to adjust  
19 their freight rate structure in varying ways."

20 For the purpose of clarifying the situation, what sort  
21 of ways are you referring to? What do you mean?

22 A. Are you asking me about any particular  
23 type of carrier?

24 Q. You used the term "varying ways" in  
25 which the railways have adjusted their freight rate  
26 structure. I want to know what you mean when you use  
27 a term such as that?

28 A. Well, they have implemented agreed charges,  
29 which is one way. They have implemented incentive  
30 rates; that is another way. Piggy-back is another







1 method of rate making that they have started; and  
2 competitive rates, both water and motor.

3 Q. Those are the things ---

4 A. That type.

5 Q. --- that you had in mind when you put  
6 this expression in your brief?

7 A. That is right, sir.

8 Q. Then you go on to say:

9 "As a result of such actions, allegations have  
10 been made of inequities in the freight rate struc-  
11 ture."  
12

13 Has the League taken that position before?

14 A. No, sir.

15 Q. On no occasion?

16 A. No occasion.

17 Q. In the next paragraph you refer to the  
18 provisions of the Railway Act under which you point out  
19 there is provision for the remedy of many alleged in-  
20 equities. Is it the League's position that the Railway  
21 Act in its present form is adequate to provide the  
22 necessary machinery for the adjustment of any rate  
23 problems that arise?

24 A. Except for this one clause that we bring  
25 up.

26 Q. The recommendation regarding Crow's Nest  
27 Pass rates? That is the one exception?

28 A. That is right, sir.

29 Q. The railways, as we have heard their sub-  
30 missions, so far have taken the position that the Crow's





1 Nest rates are an inequity in the freight rate structure.  
2 What do you have to say about that?

3 A. We do not know whether they are -- I do  
4 not know what the pronoun would be -- "inequity" or  
5 not but we do wish them to be reviewed by the Board  
6 of Transport Commissioners.

7 Q. And then any deficit subsidized? We  
8 will come to that in a moment.

9 In the next paragraph, Mr. Gracey, you make  
10 the statement that in a country as big as this there is  
11 always the possibility of certain inequalities in rates,  
12 some of which, you say, could be caused by statutory  
13 rates, government subsidies and the impact of horizontal  
14 general increases bearing on long haul traffic. Are  
15 there any subsidies that you have in mind which create  
16 inequalities?

17 A. No, sir.

18 Q. This is just a possibility?

19 A. This is a possibility.

20 Q. But you do not consider that -- is this  
21 a fair way to interpret your view -- any of the existing  
22 subsidies are creating inequalities?

23 A. We are not stating that.

24 Q. Is it the position of the League that none  
25 of the existing subsidies do create inequalities?

26 A. We said that some of the inequalities  
27 could be caused by subsidies.

28 Q. Which ones?

29 A. We have not stated it here.  
30







1 Q. I appreciate that it is not here. That  
2 is why I am asking you.

3 A. It may be in one of them.

4 Q. Could you tell us what if any of the  
5 existing subsidies you had in mind when you put this  
6 general statement into the brief?

7 A. We just take the general position, and I  
8 think it is stated in paragraph 37, that we wish them  
9 all reviewed from time to time to make sure that there  
10 will be no inequalities.

11 Q. I see, but you do not have any specific  
12 ones in mind which you think may be creating or resulting  
13 in inequalities at the present time?

14 A. No, sir.

15 Q. I am not using the words "creating" or  
16 "resulting" in a necessarily synonymous sense there.

17  
18  
19  
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22 (Page 9660 follows)  
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1  
2 Then you referred also to the impact  
3 of horizontal increases. Is this the same situation?  
4 Do you think that this is one which really could  
5 create inequities or does the League take the position  
6 that horizontal general increases do create inequalities?

7 A. We have heard from certain of our members  
8 that they do create inequalities.

9 Q. And you accept this view, do you?

10 A. Yes.

11 Q. Does the League have any suggestions to  
12 offer this Commission in order to assist it -- I may  
13 tell you, Mr. Gracey, that the Commission has also  
14 heard from some of the people who have appeared before  
15 it that horizontal increases create inequalities. Does  
16 the League have any suggestions or submissions to make  
17 to this Commission which may assist it in finding a  
18 solution to this problem of horizontal increases?

19 A. Mr. Cumming, I have heard from our members  
20 and I have sat in at meetings where they have discussed  
21 many different types of horizontal increases or ways  
22 to look after this problem of distributing increased  
23 costs, and we have discussed all types of them, and while  
24 there are items of merit in the different types that  
25 are suggested, there are also items of demerit. We  
26 haven't yet come up with another solution.

27 Q. What sort of suggestions have your  
28 members as participating in these League functions  
29 suggested as solutions?

30 A. Well, they have gone right from holding  
the status quo at a particular percent of increase to





1  
2 having it at so much per 100 pounds, and we have  
3 variations in between of 50-50; we have hold down for  
4 further distance, and matters of that kind. I think  
5 we have covered most of the ones you gentlemen might have  
6 heard of.

7 Q. But the League takes no position for or  
8 against any one of them?

9 A. No, sir.

10 Q. Or for or against horizontal percentage  
11 increases per se?

12 A. We find that any increase is unpalatable,  
13 railway freight increases are very unpalatable, but we  
14 have no solution to offer as to how to obtain the money.

15 Q. Going over to page 4, I just want you to  
16 explain a term in paragraph 13. You suggest that the  
17 railways may investigate a system of prices designed to  
18 permit the intermode exchange of traffic. What does  
19 that term "intermode exchange of traffic" mean?

20 A. That would mean where the traffic might  
21 originate with the railway and be ultimately delivered  
22 by a for-hire trucker or a boat line.

23 Q. From one transportation to another?

24 A. Yes, or it might start with another medium  
25 first and end up with the railways.

26 Q. Have you any suggestion to make as to  
27 what sort of a system of prices may promote or permit  
28 this intermode exchange of traffic?

29 A. No. This would have to be something  
30 developed by the railways in co-ordination with the  
other systems of transportation.







1  
2 Q. Dealing with the movements which might  
3 go partly by truck and partly by rail, say, initiated  
4 on a truck movement and completed on a rail movement,  
5 would in your opinion any system of prices designed to  
6 permit that or promote that require a publication of  
7 truck rates?

8 A. Your question was if the goods originated  
9 on the trucks?

10 Q. That is right.

11 A. And then went through to the railways and  
12 the railways made the delivery, whether the through rates  
13 would have to be published for this? We haven't contemplated that.

14 Q. Is it the position of the Traffic League  
15 that there should not be regulation requiring the  
16 publication of the truck rates?

17 A. This is a matter -- the publication of  
18 truck rates is being dealt with by our organization  
19 in another way at the present time, sir, and we have  
20 nothing to say on the matter of publication  
21 of truck rates in our submission for that reason.

22 Q. Could you envisage a system of through  
23 rates which would be practical without publication of  
24 truck rates?

25 A. I think it could be done.

26 Q. You say you have this question of the  
27 publication of truck rates under consideration with  
28 another body?

29 A. Yes.

30 Q. Is that another branch of your own





1  
2 organization or is that with a public body?

3 A. That is with a public body.

4 Q. What is that body?

5 A. It is with the Canadian Motor Vehicle  
6 Association.

7 Q. This is under joint consideration between  
8 your organization and the Canadian Motor Vehicle  
9 Association, is it?

10 A. We are preparing a brief for presentation  
11 to them.

12 COMMISSIONER MANN: Perhaps you should explain  
13 that this association is an association which was founded,  
14 I believe, this year or last year and embraces the  
15 provincial administrators of motor vehicle transport.

16 THE WITNESS: Mr. Mann, this organization was  
17 formed on September 17 and 18, 1959, at the inter-  
18 provincial conference of motor transport, I believe in  
19 Vancouver, or Victoria. At that time the Canadian  
20 trucking associations presented a proposed highway trans-  
21 port act to this group and this group formed the  
22 Canadian Motor Vehicle Association. This proposed act  
23 embodies the filing of tariffs and a form of rate con-  
24 trol.

25 THE CHAIRMAN: This will be provincial or  
26 federal?

27 THE WITNESS: It will be provincial, and this  
28 will be directed to them.

29 THE CHAIRMAN: It will be important to us to  
30 know what your views are, too, on this question.

THE WITNESS: Unfortunately,







1  
2 they haven't been resolved at the present time. There  
3 is a meeting in April at which we will present our views.

4 MR. CUMMING: Q. I wonder if you could establish  
5 as and when your League and those members of it or the  
6 committee of it that are working on this subject and  
7 resolving the views of the organization have completed that  
8 part of the work, if the Commission might expect to have the  
9 benefit of your considerations and considered views on  
10 this general question.

11 A. We would be most delighted to do that.

12 THE CHAIRMAN: When do you expect that will be?

13 THE WITNESS: That is in April of this year.

14 COMMISSIONER GOBEIL: Are there representatives  
15 of the provincial government?

16 THE WITNESS: Yes, there are representatives  
17 of the ten provincial governments, and this covers extra-  
18 provincial transportation.

19 MR. HUME: If I may supplement what Mr. Gracey  
20 has said, it may be helpful at this time if I remind the  
21 Commission that following the passing of the Motor  
22 Vehicle Transport Act by the parliament of Canada the  
23 regulation and control of interprovincial and international  
24 highway for-hire trucking was delegated - and I use the  
25 word "delegated" in quotes - to provincial regulatory  
26 bodies.

27 MR. SINCLAIR: Does that mean you are using it  
28 in a legal sense?

29 MR. HUME: I am using it in the Prince Edward  
30 potato marketing sense. The provincial administrators as  
federal administrators, in attempting to achieve uniformity





1  
2 in the present legislation, met into a rather loose  
3 organization which is now becoming more important in  
4 attempting to achieve uniformity in a great many subjects,  
5 and this is, in fact, an organization of provincial  
6 people who have some federal responsibilities under the  
7 Motor League Transport Act. I don't know whether I  
8 can add anything more to assist the Commission. This is  
9 purely a regulatory body. The people who comprise this  
10 organization are provincial regulatory officials from all  
11 of the ten provinces who are meeting to attempt to have  
12 uniformity of regulation under the present act.

12 COMMISSIONER BALCH: Are those regulatory  
13 officials government representatives?

14 MR. HUME: Yes, they are provincial government  
15 representatives, to whom the responsibility of administer-  
16 ing that act has been assigned.

17 MR. FRAWLEY: Do I understand Mr. Hume to say  
18 that the provinces of Canada are not petitioning parlia-  
19 ment to have some control?

20 MR. HUME: No, that is not what Mr. Gracey said  
21 or I said. What Mr. Gracey said was that the Canadian  
22 Trucking Association, at the meeting in Victoria, subm-  
23 itted a draft highway act, more of which this  
24 Commission will hear in about thirty days' time, in which  
25 federal rate filing is a portion, and this Commission  
26 will hear the views of the Canadian trucking associations,  
27 and we are not disclosing any secrets that the industry in  
28 Canada desires rate control at a federal level.

29 MR. FRAWLEY: You are certainly disclosing a  
30 secret when you say the provinces of Canada are petitioning







1  
2 parliament for control of highway transport.

3 THE CHAIRMAN: He didn't say that.

4 MR. FRAWLEY: Perhaps it would be appropriate that  
5 Mr. Gracey give a copy of the draft bill.

6 MR. HUME: Mr. Frawley has not understood what  
7 I said or what Mr. Gracey said. What Mr. Gracey said was  
8 that the Canadian trucking associations submitted to  
9 that meeting a draft bill, that is the meeting in Victoria,  
10 so that whatever draft bill was submitted didn't come  
11 from any province, it came from the Canadian Trucking  
12 Associations. So the representations have not gone  
13 beyond the ----

14 MR. FRAWLEY: That proposed bill, just that  
15 draft bill, if Mr. Gracey has a copy, would it not be  
16 useful if it could be filed?

17 MR. HUME: I shall be very glad to give it to  
18 anybody, but this Commission in thirty days' time will  
19 be receiving an amended version of it, and any work you  
20 did on the old one would be work thrown away.

21 Mr. Frawley will have it in April, sir.

22 MR. SINCLAIR: In view of the position Mr. Gracey  
23 is in in light of these questions, and the positions  
24 taken by my friend Mr. Hume and Mr. Frawley, as I under-  
25 stand this, the views of the League have not been resolved,  
26 but they are having a meeting in April, at which time he  
27 said they would be resolved. If his expectations are  
28 realized and they are resolved in April and they make  
29 a submission to this provincial body, if he will merely  
30 file the League's views on this matter, a copy of the  
submissions they make on this matter, I think that will







1  
2 cover the whole situation.

3 THE CHAIRMAN: We would be glad if he did  
4 that.

5 THE WITNESS: Our work will be altered some-  
6 what; I heard there are going to be changes in this  
7 proposed act, according to Mr. Hume.

8 MR. HUME: Not on the rate filing; that is  
9 about the same.

10 MR. SINCLAIR: In filing the submission with  
11 the secretary, might he also send copies to counsel  
12 if they have enough copies.

13 THE CHAIRMAN: Well, the copy that is filed  
14 we will make available to counsel.

15 MR. CUMMING: Q. Now, having dealt with this  
16 question of intermode exchange of traffic, Mr. Gracey,  
17 going on in paragraph 13 you make the suggestion that  
18 the railways may investigate such developments as:  
19 solid and collapsible container rates which may be based  
20 on the weight, bulk and distance moved rather than the  
21 type of lading inside. Is this practice being used  
22 elsewhere than in Canada?

23 A. Elsewhere than in Canada?

24 Q. Yes. I take it from what you say in the  
25 brief this is not being used in Canada?

26 A. No, that is correct.

27 Q. Do you know of it being used elsewhere?

28 A. There are applications being made along  
29 those lines in the United States.

30 Q. And do you know what the experience has  
been? Is it working satisfactorily?





1  
2 A. I don't know that too many have got through  
3 their legislative mill at the present time. There have  
4 been protests by various carriers. I can't say whether  
5 they are in effect or not.

6 Q. Your suggestion is that this is something  
7 else the railways should have a look at?

8 A. That is right, exploratory.

9 ---A short recess.

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1  
2 Q. Dealing for a moment further with this  
3 suggestion in paragraph 13, Mr. Gracey, about your  
4 submission that the railways should investigate rates  
5 which are based on weights, bulk and distance rather  
6 than the type of lading inside, does that import an  
7 emphasis on cost of service rather than value of  
8 service theory of rate making? Is that what the League  
9 is suggesting in this submission?

10 A. It may be slanted a little more to the  
11 cost of service, but I don't think there is any great  
12 significance to it. It is more the convenience of  
13 handling containers. That is where the rate factor  
14 would be altered, because it is handled in bulk.

15 Q. So that, to that extent, there may be  
16 some reduction, but is it your view that rates based  
17 on these factors should be more closely related to the  
18 actual cost to the railways of moving the car, rather than  
19 the value of the goods which are being moved and the  
20 amount of rate which they, because of their value, might  
21 otherwise be expected to bear?

22 A. I think this sort of theory has been  
23 established in piggy-back, whereby the railways are carry-  
24 ing vans on flat cars, and they don't know what is con-  
25 tained in those vans.

26 Q. To that extent it is coming closer, would  
27 it be fair to suggest, to a cost of service?

28 A. To that effect, it would be.

29 Q. Then you go on to suggest that efforts may  
30 also be made to attract less than carload or small shipments





1 back to the rails: are there any efforts being made  
2 in Canada at the present time along the line you suggest  
3 to attract l.c.l. shipments back to the rails?  
4

5 A. We understand there is activity on the  
6 western coast.

7 Q. That would be the Class 45 exception rate  
8 on mixed carload shipments?

9 A. I was thinking of this merchandising service  
10 more, sir.

11 Q. Once again, this is something that you  
12 would leave to the railways, is it?

13 A. No, we are just saying that they may also  
14 make efforts. It is up to them, but if they do these  
15 things, which we think they may, that if any or all of  
16 such or like changes are made, the freight rate structure  
17 may yet be further altered.

18 Q. When you say "they may", these very  
19 suggestions you are making here, I take it, are made  
20 with the intention that if the railways would do some-  
21 thing about them, their revenue position would be improved?

22 A. I think it most likely has been improved  
23 by piggy-back.

24 THE CHAIRMAN: And also on the l.c.l.?

25 THE WITNESS: And that type of thing.

26 MR. CUMMING: Q. And the other suggestions  
27 you put forward, I take it, you are putting forward as  
28 suggestions which will assist the railways in improving  
29 their revenue position?

30 A. Right.







1 Q. Would it be fair to say the term "may"  
2 really means "should"?

3 A. No, sir; we are not interfering in the  
4 railway's business.

5 THE CHAIRMAN: You are making suggestions?

6 THE WITNESS: We are making suggestions.

7 MR. CUMMING: Q. And if they do nothing about  
8 this, is the League's position just one of acceptance  
9 about it?

10 A. We would be sorry if they didn't.

11 Q. Does the League propose to do anything  
12 about it if they don't?

13 A. I am not directed to say so at the moment.

14 Q. You just leave these things with the rail-  
15 ways, and there it is?

16 A. In their own discretion.

17 COMMISSIONER MANN: You are drawing the atten-  
18 tion of the railways to developments which they might  
19 undertake, and you have said that piggy-back has borne out  
20 in some way your suggestion as to rates based not on  
21 content, but on cubic content: Mr. Cumming has suggested  
22 the Class 45 rates on pool cars to Western Canada meet  
23 your classification of the provision of all freight rates,  
24 so it is not that you are suggesting to this Commission  
25 the railways have been negligent in inquiring into these  
26 matters. You actually want to say, perhaps, that the  
27 railways have investigated and have implemented such  
28 developments? It is happening now?

29 THE WITNESS: Some have been done, and some  
30







1 they can do more.

2 MR. CUMMING: Q. You go on to say that the  
3 League realizes if any or all of such or like changes  
4 be made in the freight rate structure there will yet  
5 be further departures from current rate relationships  
6 probably resulting in further inequities. You recognize  
7 that as a probable result of the adoption of some or all  
8 of these suggestions that you make?

9 A. Any change will distort present relation-  
10 ships. We are advising the Commission that we anticipate  
11 changes along these lines -- that we anticipate, when  
12 those changes come in, there are going to be more calls  
13 for inequity of rates.

14 Q. Is the League concerned about that?

15 A. No, sir.

16 Q. That is a risk you are prepared to take?

17 A. It is not a risk we are prepared to take.  
18 It is a risk the railways are prepared to take if they  
19 don't take action.

20 Q. It is a risk the railways are prepared to  
21 take if they don't take action -- but, isn't the situa-  
22 tion that these further inequities are going to result  
23 if they do take action on the suggestions that you make?

24 A. You are quite right. I have expressed  
25 myself poorly there.

26 Q. And I am suggesting to you that the League,  
27 as I understand it, is not concerned about the consequen-  
28 tial alteration of existing freight relationships?

29 A. No, we are not.  
30





1 Q. Why does the League take that position?

2 A. Because our men are trained, and my  
3 members are business men trained to deal with trans-  
4 portation rates and services, and they are trained to  
5 work with these different factors, different changes.  
6 That is their business.

7 Q. And your League membership feels, I take  
8 it, that they are not prejudiced in their business  
9 operations by changing rate relationships?

10 A. No, sir.

11 Q. Is that the view that is held generally  
12 by your membership?

13 A. I would say so.

14 Q. That is the League's view on this whole  
15 question?

16 A. I would say it is the League's view, sir.

17 Q. Under the next heading, Mr. Gracey, you  
18 deal with the question of the Crow's Nest rates, and  
19 you submit that the Commission should recommend that the  
20 Board of Transport Commissioners for Canada determine  
21 just and reasonable rates on grain and flour and that  
22 rates based on this formula as issued by the Board of  
23 Transport Commissioners . . . When you say "on this  
24 formula" have you some formula in mind? What do you  
25 mean by the formula to which you refer?

26 A. I think that is the formula that is  
27 based in Section 328 -- the rates based on the Crow's  
28 Nest rates.

29 Q. That is the existing situation?







1 A. That is right.

2 Q. And you want that changed so that the  
3 Board should determine just and reasonable rates, and  
4 then you go on to say that the difference should be  
5 subsidized?

6 A. If any.

7 Q. Yes. Well, now, assuming that there is  
8 a difference, that is what should be subsidized and  
9 borne by the national treasury?

10 A. That is right, sir.

11 Q. Have you any suggestion to make to the  
12 Commission, or does the League take any position as to  
13 the level of rates which would be just and reasonable?

14 A. No, sir, we have no views on it.

15 Q. You are aware, I take it, that the level  
16 which has been suggested and discussed, at least, to  
17 some extent, is a level which would return to the railways  
18 fully distributed cost on movement of grain to export  
19 positions?

20 MR. SINCLAIR: But on a basis -- and I don't  
21 know how many times I have to say this -- but on a  
22 basis that the difference between the variable cost  
23 and fully distributed cost on this grain and this  
24 movement would be by virtue of the test put forward  
25 before the Commission by the railways of fair contribu-  
26 tion over variable cost. It is not that the railways  
27 are contending that grain should carry full cost because  
28 they happen to be full cost, but rather, that the con-  
29 tribution over variable cost would place this  
30





1 traffic movement in a fair relationship to the balance  
2 of the freight rate structure, and I think it is  
3 important to put that to this witness as he is a  
4 technical traffic man.

5 MR. FRAWLEY: Mr. Chairman, if there is one  
6 thing I understand about what the Canadian Pacific  
7 Railway is putting forward, it is that the grain move-  
8 ment to export positions in western Canada should pay  
9 full costs.

10 MR. SINCLAIR: Mr. Chairman, the evidence is  
11 there: it says the position of the Canadian Pacific  
12 Railway is that grain moving to export positions should  
13 pay a just and reasonable rate and it should make a  
14 fair contribution over the variable costs, in light of  
15 its position in relation to the freight rate structure  
16 as a whole. Now, that is what we did, and the evidence  
17 is clear, that there were a number of tests run out  
18 including percentage relationships to class and various  
19 matters of that kind, and relationships of total revenues  
20 to the total volume of movement, and all these were  
21 run out, and the cost relationship of total cost was  
22 only one thing.

23 THE CHAIRMAN: Are you restating your position  
24 and not stating a new one?

25 MR. SINCLAIR: I certainly am not stating a  
26 new one, but it does seem to me on a number of occasions  
27 that the evidence put on the record by Mr. Roberts some  
28 months ago -- and this is one of the disabilities of the  
29 efflux of time -- and the understanding of it seems to  
30





1 have escaped some people; maybe it has not escaped them,  
2 because, as you said earlier, Mr. Chairman, few things  
3 escape Mr. Frawley. However, for his own reasons, he  
4 is trying to pinpoint one part ---

5 MR. MAURO: Mr. Chairman, I think there is  
6 some confusion in the minds of a lot of us, because we  
7 heard many times about the fully distributed cost of  
8 grain because it was basic to the plant.

9 THE CHAIRMAN: I think the term "fully dis-  
10 tributed costs" has been used throughout, Mr. Sinclair.

11 MR. SINCLAIR: Of course, but that is not  
12 what I am saying. What I am saying -- and it is a  
13 matter of some regret to me that if people are under  
14 any misapprehension about this thing, let me state it ---

15 THE CHAIRMAN: Well, let us have from you, Mr.  
16 Sinclair, just what your statement is on the costs of  
17 transporting grain, in your submission?

18 MR. FRAWLEY: Mr. Chairman, now that Mr.  
19 Sinclair is going to do that, I would like Mr. Sinclair  
20 to either affirm or deny -- putting aside all the poetry  
21 about a just and reasonable rate -- putting all that  
22 aside, and is he or is he not seeking to establish  
23 such rate that he wants for moving the grain into  
24 western Canada to export positions -- a rate which will  
25 return him all of his variable costs, all of his con-  
26 stant costs -- namely, full costs?

27 THE CHAIRMAN: Just so the record will be  
28 clear as to what you want, Mr. Sinclair, please state it  
29 now clearly and unequivocally.  
30







ANGUS, STONEHOUSE & CO. LTD.  
TORONTO, ONTARIO

Gracey, cr-ex  
(Cumming)

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MR. SINCLAIR: I think it is in the record.

THE CHAIRMAN: Well, restate it.

MR. SINCLAIR: It is this, Mr. Chairman, as  
put before the Commission: that grain moving to export  
positions in western Canada should be on a just and  
reasonable rate basis. That is point No. 1.

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1  
2 That this just and reasonable rate bases is  
3 determined by looking at the movement in all its aspects,  
4 gathering system, both eastbound to the lakehead and  
5 westbound to the Pacific coast. It is a movement that  
6 cannot be separated, it must be looked upon as one move-  
7 ment in its totality.. That this must be related to the  
8 freight rate structure aside from any frozen rate and  
9 this is the only one that is frozen in the freight rate  
10 structure and related to the classification so that it  
11 will bear a proper relationship to other rates, that in  
12 doing that the cost of the movement is one factor, the  
13 fact of its transportation characteristics is another  
14 factor, and in doing this it was all worked out as to  
15 the relationship that this grain movement bore to the  
16 class rates structure historically and whether it  
17 would likely have continued to bear this relationship  
18 if it had not been frozen. The total size of the movement  
19 in relation to the revenues now received and the total  
20 size of the movement in relation to the revenues that  
21 would be received on the level proposed by the railways  
22 was also tested and in these matters they came up with  
23 a figure that showed about a cent per ton mile using  
24 a keypoint of Regina on this movement and in doing so  
25 certain elements of cost were taken into account. The  
26 Commission will well remember that no part of the  
27 passenger train deficit was charged to grain. That is  
28 point No. 1.

29 Again, instead of using tons and ton miles to  
30 determine the proportion of constant costs, another  
method which resulted in substantially less than for







1  
2 tons and ton miles was used, as they may be so used in  
3 these matters, was taken into account in arriving at the  
4 report which was stated at a cent per ton mile on the  
5 average.

6 THE CHAIRMAN: For the purpose of the  
7 Commission, relevant to the use of the word "cost",  
8 what was requested by the C. P. R., constant cost,  
9 variable cost, fully distributed? These terms have all  
10 been used.

11 MR. SINCLAIR: What was requested by Canadian  
12 Pacific was a rate that would, as I say again, give them  
13 a just and reasonable remuneration for grain. Insofar  
14 as the cost itself was concerned, it consisted of the  
15 variable cost plus costs that were developed, all constant  
16 costs in the manner in which the evidence said they were  
17 developed and approved which basis I set forth here  
18 earlier, in point of fact was treated in a different  
19 manner than it is ordinarily treated. Secondly, tons  
20 and ton miles, in being used as the factor for distribu-  
21 tion of stock constant costs is another manner in which  
22 it developed from the ordinary way of cost. So when  
23 you say to me is it going to be fully distributed costs,  
24 it is total costs in relation to specific factors in-  
25 volved in the grain movement. You cannot just say  
26 like all other things it is going to be bearing its  
27 total costs because that is not the position of Canadian  
28 Pacific or Canadian National.

29 THE CHAIRMAN: Mr. Mauro, you are on your  
30 feet.

MR. SINCLAIR: If I have misstated the evidence,





1  
2 I am sorry because I am not giving the evidence but it  
3 is on record and open to my friends to read.

4 MR. MAURO: It is only this restatement that  
5 has caused this great turbulence. I would ask you,  
6 Mr. Chairman, to ask my learned friend whether the  
7 C. P. R. is seeking on this rate that they think is a  
8 just and reasonable rate for the carriage of grain, the  
9 full cost of the movement of that commodity - the full  
cost of the movement of grain.

10 THE CHAIRMAN: Is that involved?

11 MR. SINCLAIR: Canadian Pacific is asking for a  
12 rate that will result in the return of the cost of move-  
13 ment in light of the way it was calculated in the cost  
14 study. I cannot say it any differently.

15 THE CHAIRMAN: Does that mean full cost?

16 MR. SINCLAIR: Not in the way it is generally  
used.

17 MR. FRAWLEY: The full cost.

18 COMMISSIONER GOBEIL: One cent per ton mile.

19 MR. McDONALD: The Canadian National would  
20 be well content with one cent per ton mile, however it  
21 is calculated.

22 MR. FRAWLEY: It does not matter whether the  
23 Canadian National is asking for full cost or not, but  
24 I would like to know because when Mr. Stechison was  
25 in the box and examined in chief it was written all over  
26 that brief that they wanted full cost and they justified  
27 it. They spoke about the fact that grain in western  
28 Canada was basic to the plant. I would suggest if  
29 Mr. Sinclair will not answer me or my friend, Mr. Mauro,  
30





1  
2 that he should answer you and I would most respectfully  
3 ask that you ask Mr. Sinclair is he asking for grain  
4 full cost or not. I do not care which it is, but I  
5 want to know.

6 THE CHAIRMAN: Mr. Frawley, in the light of  
7 this discussion as it has come up, we will consult the  
8 record and then ask him the question if it is advisable.

9 MR. SINCLAIR: I thank you very much, Mr.  
10 Chairman, because I think the record is abundantly clear.  
11 It all depends on how you interpret the record.

12 MR. MAURO: It is the explanations that are  
13 confusing, the record is clear.

14 MR. SINCLAIR: Mr. Chairman, if I may, my  
15 friends apparently feel that they can only read a record  
16 once and understand it; I would suggest they read it twice.

17 MR. FRAWLEY: We are going back again now.

18 MR. SINCLAIR: That is good.

19 THE CHAIRMAN: Mr. Cumming?

20 MR. CUMMING: I am sorry if anything I said  
21 contributed to this.

22 THE CHAIRMAN: These storms come up.

23 MR. CUMMING: Q. I merely wanted to know if  
24 the Canadian Industrial Traffic League had anything to  
25 suggest to this Commission which it might incorporate  
26 in any recommendation which it might make to the Board  
27 of Transport Commissioners as to what level would be a  
28 just and reasonable level for rates on grain and flour?

29 A. We have no statement at this time.

30 THE CHAIRMAN: After all that excitement.

MR. CUMMING: Q. That is what I apologized to







1  
2 the Commission for. In any event, having found, through  
3 some formula, what would be a just and reasonable level  
4 and applying that test, there is a difference between  
5 the just and reasonable level so found and actual revenues,  
6 then you say that difference should be subsidized?

7 A. That is right.

8 Q. What I want to ask you is, does the League  
9 that you represent have any views as to whether or not  
10 there should be any conditions or limitations imposed on  
11 any such subsidy? What I had in mind was this, before  
12 you answer, we heard in British Columbia from its brief,  
13 and I will read to you from page 54 of paragraph 1 of the  
14 submission of the province of British Columbia to this  
15 Commission, and then I will put it before you. In dealing  
16 with the problem of the Crow's Nest Pass rates, the govern-  
17 ment of the province of British Columbia had this to say:

18 "Specifically, it is recommended that, as the con-  
19 tinued stimulation of agriculture in the west and the  
20 encouragement of grain exports are in the national  
21 interest but shippers of other freight should not be  
22 unduly burdened, then:

23 1. Crowsnest Pass rates should remain under statut-  
24 ory control and at the existing level.

25 2. A subsidy should be paid to the railways from  
26 national funds. The subsidy should recompense the  
27 railways for out-of-pocket losses arising from the  
28 carriage of such grain, plus a fair contribution to  
29 overhead at the end of each crop year.

30 3. The subsidy should vary with the loss.

4. That the inequities suffered by other shippers





1  
2 "as a result of the statutory rates be adjusted from  
3 subsidies received by the railways."

4 And now I will put this before you.

5 A. It is item 4?

6 Q. Yes, on the left-hand page, the right-  
7 hand column. Now, is it your suggestion that there should  
8 be any limitations of the nature that are set out in  
9 paragraph 4? In other words, if the railways get a  
10 subsidy from this, does the League look for reductions  
11 in other rates?

12 A. I do not think that is stated in our sub-  
13 mission and I do not think we are looking for it.

14 Q. I appreciate it is not in your statement,  
15 that is why I am asking you.

16 A. We have not really considered this matter.

17 Q. You are prepared, then, I take it, to simply  
18 see the Commission recommend a subsidy to make up such  
19 deficit as may be found.

20 A. That is the Board of Transport Commissioners.

21 Q. By the Board of Transport Commissioners?

22 A. Yes.

23 Q. And it is not your suggestion that there be  
24 any limitations or restrictions, conditions of that sort  
25 as are set out in the British Columbia brief or of any  
26 other sort on that subsidy?

27 A. No, not other than - the only condition that  
28 would be on this subsidy is that it be reviewed period-  
29 ically as we have mentioned in paragraph 37..

30 Q. That is consistent with your views about all  
subsidies?







1  
2 A. All subsidies.

3 Q. Have you any suggestions to make to the  
4 Commission as to the manner in which the subsidy should be  
5 paid?

6 A. No, sir.

7 Q. Would you limit it? Do you think it should  
8 be handled in the same order as the subsidies under the  
9 Maritime Freight Rates Act?

10 A. We have not stated so.

11 Q. That was the position of the League before  
12 the Turgeon Commission, was it not?

13 A. I believe it was.

14 Q. Is there any reason for a change in the  
15 views of the League before the Turgeon Commission? As I  
16 understand it, you made a recommendation about a subsidy  
17 for the Crow's Nest movement?

18 A. Right, sir.

19 Q. And you suggested that it be handled some-  
20 thing along the lines of the Maritimes Freight Rates Act.  
21 You are not making that suggestion to this Commission?

22 A. No, sir.

23 Q. Is there any specific reason why you have  
24 changed your views in the past ten years? Has anything  
25 happened to persuade you to drop the suggestion previously  
26 made?

27 A. Not that I know of.  
28  
29  
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1  
2 Q. Under the heading "C", in paragraph 16, you  
3 state that the League is convinced that:

4 "Satisfactory and workable solutions for present and  
5 future problems in rail transportation are available  
6 and that they will come through the accumulated  
7 experience and wisdom of railway transportation men."  
8 Has the solution or the finding of satisfactory and work-  
9 able solutions for present and future problems to be  
10 left only to railway transportation men?

11 A. As far as we are concerned, yes. We would  
12 like to help if we can be of assistance to them.

13 Q. But you will go no further than that?

14 A. We will go no further than that.

15 Q. Reverting for a moment to this question of  
16 subsidies, there is a matter that I overlooked. You picked  
17 out only the Crow's Nest movements, only the grain movements,  
18 as a field in which you think subsidies should be paid.  
19 Does the League have any views about any other deficit  
20 traffic, if there be any, which might be maintained in the  
21 national interest and which should therefore be subsidized?

22 A. We feel that if there are any deficit oper-  
23 ations the railway management should look after those  
24 themselves.

25 Q. I have in mind, to be specific, passenger  
26 deficits. There may be a deficit in railway operations  
27 on their passenger trains.

28 A. It is our opinion that the railways have  
29 facilities to correct that situation themselves.

30 Q. So you would not suggest that there be any  
subsidy in respect of passenger traffic at all?





1  
2 A. No, sir.

3 Q. Would you stay with that view even if the  
4 Commission were of the opinion that it was vital in the  
5 national interest that deficit passenger operations be  
6 continued?

7 A. We have not considered it vital in the  
8 national interest at the present time.

9 THE CHAIRMAN: On passenger traffic?

10 THE WITNESS: On passenger. This is a matter of  
11 managerial decision on the part of the railways.

12 MR. CUMMING: Q. Then passenger operations  
13 are being carried on at a deficit, and you do not suggest  
14 that they be subsidized by the national treasury. Are we  
15 to assume that the League is prepared to see freight  
16 traffic carry the burden of any deficits there may be?

17 A. May I put it this way? We would be most  
18 critical of railway management if they allowed it to  
19 persist.

20 Q. But you do not want it subsidized and you  
21 do not want any compulsion on the railways to abandon  
22 passenger traffic?

23 A. We believe they are working to correct it  
24 now.

25 Q. And the League's position is that this  
26 is purely a matter for railway management?

27 A. That is right.

28 Q. And you are content to leave it that way?

29 A. Right.

30 Q. You say that in some departments the  
Canadian railways displayed imagination and initiative as







1  
2 they advanced in the post-war years. Just to clarify the  
3 situation, what have you in mind there? Where were the  
4 railways imaginative and where did they show initiative  
5 in their advances?

6 A. I think I have mentioned already agreed  
7 charges, incentive rates, piggy-back -- items such as that.  
8 I mentioned later on in our brief about classification  
9 yards, dieselization. All of these are factors where  
10 they displayed imagination and initiative.

11 Q. And then there are other areas where perhaps  
12 they have fallen a little short of those standards?

13 A. That is right, sir.

14 Q. And that is in their marketing and selling  
15 problems?

16 A. That is our belief.

17 Q. And it is in that area that your suggestions  
18 are directed?

19 A. That is right, sir.

20 Q. Going over to page 6, starting with the  
21 suggestions of the areas which you feel deserve the  
22 particular attention of the railway management -- in  
23 paragraph 18 you say that the railways -- "may" or  
24 "should" work to eliminate services not required by public  
25 necessity?

26 A. This is a suggestion, that they work.

27 Q. What sort of services have you in mind here?

28 A. We heard of different things such as  
29 passenger losses or alleged passenger losses, branch line  
30 abandonments or unprofitable lines.

Q. What about the matters dealt with later on





1  
2 in the paragraph:

3 "The railways must be alert to curtail or eliminate  
4 any phase of railway service which, because of  
5 changing customer needs, no longer performs a  
6 useful function and is no longer profitable."

7 Is that what you were talking about there?

8 A. It is a broad statement. It is a broad  
9 field.

10 Q. And all that should be left to the railways  
11 too?

12 A. Yes, sir.

13 Q. In paragraph 19 you say that they may work  
14 -- I just want to see how far you go. Is it a "may" or  
15 "should" here?-- "Work with other railways to reduce  
16 duplications wherever practical and in the public  
17 interest."

18 A. This first sentence here might have been  
19 capitalized for a paragraph heading to outline the  
20 content. But all the tenor of these remarks is that we  
21 wish the railways would work and look into these features.  
22 We are not stating that they must. We suggest that they  
23 do.

24 Q. You have in mind here, I suppose, the pro-  
25 visions of the C. N. - C. P. Act?

26 A. Yes, exactly.

27 Q. Is that adequate, in your opinion, to  
28 achieve the objects which you indicate in your brief are  
29 desirable?

30 A. We believe that the railways under that  
act have sufficient authority to deal with these problems.







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Q. Do you feel that the railways have done all that they should do or could do under the provisions of that act?

A. I think we suggest there that we feel the study should be intensified.

Q. By whom?

A. By the railways.

Q. It is purely a matter for the railways again?

A. Yes, again.

Q. You would not want to see the Board of Transport Commissioners in this field?

A. No, sir.

Q. This is a change in the position of the League from its views as expressed before the Turgeon Commission too?

A. I do not know, sir.

Q. Just to bring the matter up to date, because I had an opportunity to check this, I am going to read to you from Volume 31 of the transcript of the proceedings before the Royal Commission on Transportation, the Turgeon Commission, on August 5, 1949, at page 5963, the evidence of Mr. Paul, who was at that time giving the brief on behalf of the Traffic League.

MR. SINCLAIR: What is Mr. Paul's full name?

MR. CUMMING: Mr. George Paul, a man who, I understand, will be familiar to many of you here today.

MR. SINCLAIR: The next witness?

MR. CUMMING: So I understand.

MR. FRAWLEY: In another capacity.





1  
2 MR. CUMMING: One good comment deserves another.

3 At page 5963 of the transcript there is this to  
4 be found, Mr. Gracey, and this is from the Traffic League  
5 brief:

6 "The Canadian National-Canadian Pacific Act, 1933  
7 was intended to effect a maximum of cooperation  
8 between the two companies named. The League, while in  
9 agreement with the spirit of the Act, feels that it is  
10 weakened by the fact that the Board of Transport  
11 Commissioners was not given adequate jurisdiction  
12 under its terms. Consequently, we submit that your  
13 Commission study the advisability of recommending  
14 the imposition of direct duties on and granting the  
15 necessary authority to the Board with regard to the  
16 fullest possible implementation of the Canadian  
17 National-Canadian Pacific Act, 1933."

18 - On pages 5980 and 5981, in the course of his  
19 examination, he had some more to say along the same  
20 general lines that there should be an element of compul-  
21 sion introduced into the Canadian National-Canadian  
22 Pacific Act to provide that if the railways did not co-  
23 operate to the extent that was necessary they could be  
24 required to do so. That is not the position of the  
25 Traffic League today?

26 A. I recall reading this, that under cross-  
27 examination it was brought out that the Board of Transport  
28 Commissioners -- I think the Chief Commissioner sits on  
29 an arbitration board regarding this act, and therefore  
30 there can be sufficient compulsion placed. I am not  
familiar with the act that much, but I believe it was





1  
2 mentioned in the cross-examination, and that therefore  
3 there is recourse. That apparently was not evident to  
4 the League when they made this submission to the Turgeon  
5 Commission.

6 Q. Apart entirely from the terms of the act,  
7 do you think that such compulsory provisions or powers  
8 which do exist should be invoked?

9 A. At the present time, I would say that the  
10 League is content with the act the way it is.

11 Q. I would just like to have this quite  
12 clear from you, Mr. Gracey. Assuming that there is  
13 sufficient power under the act to produce these results  
14 by compulsion, is it the position of the League that  
15 if the railways do not co-operate among themselves to  
16 achieve the objects that you are talking about, that that  
17 power of compulsion should be invoked?

18 A. It is available if somebody wishes to  
19 invoke it.

20 Q. Mr. Gracey, if you are not prepared to make  
21 a statement on it, just say so and I will pass on. I  
22 want to know: should there be compulsion or should there  
23 not?

24 A. We do not feel there should be compulsion.

25 Q. Then you think the provisions to the  
26 extent that they empower the Board to compel the railways  
27 to co-operate should be taken out?

28 A. No.

29 Q. You would leave it there but leave it  
30 dormant?

A. That is right, sir.







1  
2 Q. In the next paragraph, the last sentence  
3 of it, you speak about an aggressive campaign that the  
4 railways should conduct. This, I take it, is to some  
5 extent a mild criticism of the railway freight sollicita-  
6 tion? You do not think it is aggressive enough at the  
7 present time?

8 A. That is our belief.

9 Q. How does it compare with the freight  
10 solicitation practices of other media of transport, for  
11 instance, the trucks?

12 A. We find them quite aggressive.

13 Q. You find them aggressive? Markedly better  
14 in this field than the railways?

15 A. I would not say so markedly.

16 Q. But they have an edge?

17 A. It is rather difficult to say for all of  
18 Canada whether they have an edge or not, but in certain  
19 areas they have, definitely.

20 Q. You would not want to give any over-all  
21 view about the matter?

22 A. No, we are suggesting that an aggressive  
23 campaign would be beneficial to the railways.

24 Q. And to the shippers?

25 A. And to the shippers.

26 Q. In paragraph 21 you speak about through  
27 bills of lading which might be provided to the shippers  
28 and receivers of Canada. Is anything being done along  
29 that line at the present time that you know about?

30 A. There are through bills of lading, I believe,  
to a certain extent.





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Q. Would this be for inter-mode exchange of traffic?

A. Yes, there are through bills of lading for water and rail movements.

Q. What about truck and rail?

A. I do not think so.

Q. Do you know anything about attempts that are being made to develop a through bill?

A. No, sir.

Q. But you think it would be a good idea to have one?

A. We do, sir.

Q. What about joint through rates? Should there be through rates on all rail lines in Canada?

A. On all rail lines in Canada? I believe they are in effect now, aren't they?

Q. I was wondering what the position of the League is?

A. On through rates in railway movements in Canada? We use them.

Q. You find them satisfactory?

A. Yes, sir.

Q. Should that apply to international rates as well?

A. I believe they are used there also, sir.

(Page 9696 follows)







1 Q. Are there any exceptions that you know  
2 of?

3 A. Not that I know of, sir.

4 Q. You speak in paragraph 22 of piggy-back,  
5 which you say is a graphic illustration ---  
6

7 MR. FRAWLEY: I didn't quite understand the  
8 answer. Do I understand Mr. Gracey to say that all  
9 rates are through rates in Canada?

10 MR. SINCLAIR: I take it what he means is  
11 that where they are required they are there.

12 MR. FRAWLEY: They are where you find them.  
13 When you don't find them you don't find them, that is  
14 all.

15 MR. SINCLAIR: I thank my friend for drawing  
16 it to our attention.

17 THE CHAIRMAN: What do you say, Mr. Gracey?

18 THE WITNESS: I believe I said that when they  
19 are required we use them.

20 MR. CUMMING: Q. In paragraph 22, Mr. Gracey,  
21 you speak of piggy-back, which you describe as a graphic  
22 illustration of coordination considered by many as the  
23 first step towards the goal of truly economical trans-  
24 portation. When we were in Quebec, Mr. Gracey, we  
25 heard a submission from the Quebec Truckers' Association,  
26 and they expressed the view that, if I may summarize it,  
27 the Canadian railways ought to stay on the tracks and  
28 they ought not to occupy the waters with ships and  
29 the sky with planes and the roads with trucks in  
30 mock competition, and they have a good deal to say as





1 well about piggy-back and are anxious, I think may be  
2 a fair way of putting it, of the danger that the ex-  
3 tension of piggy-back service may result in the trucks  
4 just becoming the slaves of the railways; I think they  
5 went almost that far.

6 Does your Association see any danger of  
7 truck competition being swallowed up and engulfed by the  
8 railways through an extension of the piggy-back service?  
9 Are you concerned with that as a possibility?

10 A. I do not think we have a statement as  
11 to policy on that matter. We have recognized that  
12 piggy-back has come in, and we have heard the merits  
13 and we have heard the demerits, and we are using piggy-  
14 back in the way we are using it at the present time.

15 Q. Do you think it should be extended, the  
16 piggy-back service should be extended?

17 A. We say that it will extend.

18 Q. Would you suggest that it be available  
19 on all railways for for-hire truckers and for private  
20 carriers?

21 A. I wouldn't say we are recommending that.  
22 It may come to that.

23 Q. That is just a possibility for the future?

24 A. That is right. These things have to be  
25 worked out between the truckers and the railways.

26 Q. And you take no position on the results  
27 that should come from any negotiations between the truckers  
28 and the railways?

29 A. When my member ships goods by truck he  
30





1 doesn't know if they go over the railway or by road;  
2 it is not his concern.

3 Q. So once again we are down to the basic  
4 position that this is a matter for the railways here  
5 and, of course, they will have to deal with the trucks?  
6

7 A. And other modes of carriers.

8 Q. But you don't want to see any interference  
9 with it in any way, by any agency?

10 A. We are not recommending any interference.

11 Q. In paragraph 23 you deal with the question  
12 of increased operating research activity, and you say  
13 that you realize that more has to be done along these  
14 lines. Do you think that the railways should be  
15 assisted, perhaps through government guaranteed loans  
16 or subsidies or interest-free loans, anything along  
17 these lines, in the conduct of their research and im-  
18 provement of their plant?

19 A. Are you asking me if we recommend the  
20 railways receive government aid to modernize their plant?

21 Q. Yes.

22 A. No.

23 Q. Or any assistance, as I say, through  
24 interest-free loans or anything of that sort?

25 A. No, sir.

26 Q. You want them to carry on operating  
27 research activity and their plant improvement within  
28 the limitations of their own resources?

29 A. Yes, sir.

30 Q. In paragraph 24 you make a number of







1 suggestions as to certain things which the railways  
2 should consider in this regard. Have you anything  
3 in mind specifically under A, facilities that will  
4 tend to reduce the damage to lading? This is a  
5 general recommendation. Is there anything specific  
6 that the League has in mind?  
7

8 A. Well, there are different areas that  
9 could be investigated that have been developed postwar,  
10 such as cushion frame under cars; there is a reduction  
11 of impact damage, being more careful in the switching  
12 yards; these new things called inflatable dunnage;  
13 there are damage-free cars, with the use of impact  
14 recorders.

15 Q. And anything that will reduce the shipping  
16 costs?

17 A. I would say that would be through side  
18 door or end door openings, what we have for stowing;  
19 it may be inflatable dunnage again. There are different  
20 areas they are looking at, although they overlap one  
21 another.

22 Q. And then you have development of special  
23 equipment?

24 A. Yes. They have bulk cars for cement  
25 and flour, for grain.

26 Q. Double-deck automobile type cars?

27 A. Yes.

28 Q. Do you have any views as to whether or  
29 not there should be any special charges for the special  
30 equipment of the sort you have been describing?





1 A. I have nothing to state on that at the  
2 present time.

3 Q. In paragraph 25 you speak of the concept  
4 of total marketing, and I wonder if you would be good  
5 enough to explain that term to the Commission?

6 A. Total marketing, as I see it, is the move-  
7 ment from your production centre to your consumer; it  
8 encompasses the whole movement.

9 THE CHAIRMAN: The whole process?

10 THE WITNESS: Yes, warehousing, stocks and  
11 things like that. That is from the production centre  
12 to the consumer.

13 COMMISSIONER MANN: Not including handling  
14 inside the plant?

15 THE WITNESS: Not inside the plant, no.

16 MR. CUMMING: Q. Will this extend the scope  
17 and operations of the traffic manager?

18 A. I believe it could, sir.

19 Q. I am going over, Mr. Gracey, to page 11,  
20 under the heading D. On this question as to the extent  
21 to which the railways should specify what assets and  
22 earnings of railway companies in businesses and invest-  
23 ments other than railways should be taken into account  
24 in establishing freight rates, does the League have any  
25 views about the inclusion in rail revenue of other  
26 transportation income of the railway companies, that is  
27 other than rail transportation? I have in mind here  
28 steamships, aeroplanes, and, of course, trucking opera-  
29 tions?  
30







1 A. Are they already embodied in the Judgment  
2 of the Board at the present time?

3 Q. You stay right by the position as ex-  
4 pressed in those Judgments?

5 A. Yes, that is right.

6 Q. No other suggestions to make?

7 A. No other suggestions.

8 Q. Coming to the last page of your submis-  
9 sion, in paragraph 37 you suggest that the Commission  
10 recommend that periodic review be made of railway  
11 freight rate subsidies by the Board of Transport Com-  
12 missioners for Canada. Here again may I ask you if  
13 there are any you have in mind particularly which need  
14 reviewing? What led you, if I may put it this way,  
15 to make this suggestion in your brief?

16 A. Mr. Cumming, in your travels across  
17 Canada you have most likely heard allegations concerning  
18 certain subsidies. We in our membership have heard  
19 similar types of allegations. The League's policy is  
20 that in order to avoid this type of discussion they  
21 should be subject to a regular review, and the League  
22 takes at this time the position that not any one of them  
23 is the culprit, they should all be subject to a general  
24 review.

25 Q. And you would be quite content to leave it  
26 at that?

27 A. Yes, that is right.

28 MR. CUMMING: That is all I have, Mr. Chairman.

29 THE CHAIRMAN: We will adjourn until ten o'clock  
30 tomorrow morning.

---Adjournment.





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NOTE:

On the 10th of February, 1960, Mr. F. W. Anderson, Secretary of the Commission, was advised by Mr. C. La Ferle that his organization, the Canadian Retail Federation, in principle desire to vouch its concurrence in the submission of the Canadian Industrial Traffic League (Incorporated).

- - - - -



*L. P. ...*

# ROYAL COMMISSION

ON

## TRANSPORTATION

HEARINGS

HELD AT

OTTAWA

VOLUME No.:

DATE:

53

MAR 29<sup>th</sup> 1960

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ROYAL COMMISSION ON TRANSPORTATION

Proceedings of hearings held in  
the Court Room, Board of Transport  
Commissioners Offices, Ottawa,  
Ontario, on the 29th day of March,  
1960.

COMMISSION

Mr. M. A. MacPherson, Q.C.	Chairman
Mr. H. Anscomb	Member
Mr. A. H. Balch	Member
Mr. R. Gobeil	Member
Mr. H. A. Mann	Member
Mr. A. Platt	Member

COMMISSION COUNSEL

Mr. A. G. Cooper, Q. C.	
Mr. G. S. Cumming	
Mr. H. W. Ellicott	Adviser

Mr. F. W. Anderson	Secretary
Major N. Lafrance	Assistant Secretary







Ottawa, Ontario,  
March 29, 1960.

---On commencing at 10.00 a.m.

THE CHAIRMAN: Order, please, gentlemen.

Yesterday afternoon we received copies of the submission of the Transportation Committee of Kamouraska, Temiscouata, Riviere du Loup. Now, this was the submission that ordinarily would be made in Quebec, but which was not made there, and the mayor of Riviere du Loup is coming to Ottawa today and will be here this afternoon. We have told him that we will give him tomorrow morning, and meantime if anybody has not copies of the submission they are here for inspection.

Mr. Hume?

CROSS-EXAMINATION BY MR. HUME:

Q. Mr. Gracey, you and I have known each other for a long time, and you know I am appearing here as representing the Canadian Trucking Associations. I just have a very few points that I would want to discuss with you in connection with your brief.

The over-all impression I got as I read your brief and hearing your evidence yesterday is that your members are purchasers of transportation from all media of for-hire transportation in Canada?

A. Yes.

Q. And that you have an interest in having all forms of transportation co-operate and coordinate their service. Would that be a fair statement?

A. Yes, sir.

Q. What does your League do to assist, if





1  
2 anything, in the coordination or co-operation of various  
3 transportation methods in Canada?

4 A. We work in various ways, Mr. Hume, and the  
5 League is identified with co-operation with the carriers,  
6 it has been for its lifetime. The long-standing League  
7 policy has been to invite carrier representatives to  
8 our various meetings; they might be at our local meetings,  
9 they might be at our provincial meetings, which are called  
10 divisional meetings; they are also at our annual meetings  
11 or at our seminars that we have, and we invite all  
12 carriers to come and talk to us at that time, and we  
13 particularly ask them to tell us what their problems  
14 are in relation to shippers, because we would like to  
15 know.

16 Q. This includes representatives from the  
17 railways, representatives from the trucking industry and  
18 the steamship companies?

19 A. And the air lines.

20 Q. So that when you use the words "for-hire  
21 carriers" in your paragraph 8 you are talking there of  
22 all for-hire carriers in Canada?

23 A. Yes, sir.

24 Q. Dealing with paragraph No. 7 and your  
25 reference yesterday to the private carrier and its  
26 regulatory force on rates, I presume what you have in  
27 mind there is this, that the ability of your members to  
28 purchase their own transportation, purchase their own  
29 trucks and move their own goods has an impact upon the  
30 rates that the public for-hire carriers must charge for  
a certain movement between point A and point B?





1  
2 A. Yes, sir; and it is not only the trucks,  
3 it is also the pipelines and ships, other modes of  
4 transportation from pipeline to airplanes.

5 Q. You are talking about private carriage,  
6 and, as I read it, I got the idea that what you were  
7 pointing out there was that at the present time, which  
8 was perhaps not true fifty years ago, there is the  
9 ability of the shipper to buy his own transportation  
10 if he is not satisfied with the rates?

11 A. Yes.

12 Q. You said to my friend Mr. Cumming that  
13 you couldn't see any benefit for your members going  
14 into private carriage. It is a very small point, but  
15 it has been suggested to me, Mr. Gracey, that one of  
16 the benefits that people consider when they buy their  
17 own trucks is the advertising value of what amounts to  
18 a travelling signboard. Have you heard that view ex-  
19 pressed?

20 A. I have heard that view expressed.

21 Q. And that while there is the disadvantage  
22 of no payload on the back haul, there is the advantage  
23 of having a travelling billboard moving through the  
24 countryside. Would you care to express any opinion,  
25 if you have one, as to whether or not that is a factor  
26 in inducing people to go into the private carriage?

27 A. We conducted a forum on February 17, at  
28 the League annual meeting, on this very subject. This  
29 matter of advertising on your own trucks was discussed  
30 with about eight other topics, but it boils down to  
service and costs. True, some people place a certain







1  
2 amount of advertising value on their vehicles.

3 THE CHAIRMAN: It is supposed to appeal to  
4 the breweries.

5 MR. HUME: In certain provinces, sir.

6 THE WITNESS: But I don't think it is a major  
7 factor.

8 MR. HUME: Q. My main point I want to discuss  
9 with you is something you mentioned in your brief and  
10 you discussed with Mr. Cumming, and that is the matter  
11 of rate filing. It is my instructions, Mr. Gracey,  
12 that the Canadian Trucking Associations are now and  
13 have been in favour of rate filing. But as a premise  
14 to my question, may I recall to you that there is a con-  
15 stitutional law problem involved in the difference  
16 between interprovincial movement by highway and  
17 intraprovincial movement, and some of our provinces  
18 regulate rates in one form or another and others do  
19 not.

20 Now, is it the League's view that rate filing  
21 for interprovincial movement, that is principally the  
22 long haul, is something that you desire or do not desire?  
23 I wasn't quite clear yesterday of your position, if  
24 you have a position?

25 A. Mr. Hume, we produced a national trans-  
26 portation policy in 1944. It was a part of the evidence  
27 at the last Royal Commission on Transportation. At  
28 that time we stated that we were in favour of a filing  
29 and regulation of all truck rates. That policy has  
30 not yet been changed, but the entire policy is under  
serious reconsideration at the present time. We have





1  
2 found that one division in particular in our organization  
3 has now changed their position along with other trade  
4 associations and are opposed to rate filing or rate  
5 regulation within their province, and this is one of  
6 the factors that we must consider when we are making  
7 our presentation next month to this other body.

8 Q. And in due course, as I understand it,  
9 we will get a copy of that presentation to assist us?

10 A. Yes.

11 Q. Now, to assist the Commission, may I say,  
12 therefore, what your position appears to be is that at  
13 the present time, subject to what you will be filing at  
14 a later date, you are in favour of some method of rate  
filing for the movement of goods by for-hire trucks?

15 A. If I may answer that question in this  
16 way, that at the present time our national policy sponsors  
17 this, but it is under serious reconsideration at the  
present time.

18 Q. Could you answer this question? Is it  
19 fair to ask you what the reason would be for certain  
20 of your members not to be in favour of rate filing?  
21 Before you answer the question, let me qualify it by  
22 saying that my understanding of your policy and other pol-  
23 icies is that it has the advantage of having the rates  
24 shown clearly and therefore they are there for all the  
25 shippers to see. Could you indicate what the factor  
26 would be that would likely perpetuate a system like  
27 that which we have in Ontario where there is no rate  
regulation at all.

28 A. I am the national secretary of the  
29  
30







1  
2 organization, and I can only speak on national matters,  
3 unfortunately.

4 Q. Just to assist us at the present time,  
5 you have indicated what your policy is, and this sub-  
6 mission which you are going to make next month, will it  
7 be in the form of a written brief similar to the one  
8 before this Commission?

9 A. I am not certain, sir, what our submission  
10 will be to this other body.

11 Q. It will be in writing?

12 A. It will be in writing, but I don't know  
13 if it will be in the nature of a brief.

14 THE CHAIRMAN: The division that is opposed to  
15 regulation, was it east or west?

16 THE WITNESS: The province of Ontario.

17 COMMISSIONER MANN: Is yours in writing now?

18 THE WITNESS: Yes, sir, to the Minister of  
19 Highways in Ontario.

20 COMMISSIONER MANN: Would it be possible to  
21 have a copy supplied to this Commission?

22 THE WITNESS: Yes, sir. That submission was  
23 made, I believe, four years ago.

24 MR. HUME: Q. Mr. Gracey, as the national  
25 secretary of your association and on this question of  
26 rate filing, you are perhaps the proper person to whom  
27 I may direct this question, that under the Motor  
28 Vehicle Transport Act passed by the parliament of Canada,  
29 the matter of entry into the trucking field and the  
30 matter of regulation of rates or tariffs is left - I  
used the word "delegated" yesterday, but somebody





1  
2 objected - is left to provincial bodies acting in a  
3 federal capacity. Is that your understanding?

4 A. That is right.

5 Q. So the present legislation of the  
6 parliament of Canada in effect vulcanizes Canada in  
7 respect of this matter of rate filing; some may have  
8 it and in others it is a matter of geographic consider-  
9 ation whether they have it or not.

10 A. Yes, that is my understanding.

11 Q. Would it be your policy that there might  
12 be recommendations to the parliament of Canada that  
13 some legislation be passed to throw it wide open so  
14 that there is a uniform regulation right across Canada.

15 A. We don't have a policy on that at the  
16 present time.

17 Q. Would you prefer to answer my question  
18 or not to answer it?

19 A. I am not at liberty to answer the question  
20 at the present time.

21 Q. On page 7, and paragraphs 21 and 22, when  
22 you are speaking of illustrations of co-operation,  
23 you use the words, the last sentence of paragraph 21:

24 "To this end we think the railways should co-  
25 operate with the other modes of carriage in order  
26 that through services, and through bills of lading  
27 might be provided to the shippers and receivers of  
28 Canada."

29 Do I properly interpret what your idea there  
30 is is that what you are suggesting is the development  
of a co-ordinated rail and road movement so that one





1  
2 loading covers the goods from beginning to end and it  
3 doesn't matter whether it goes partly by rail and partly  
4 by truck?

5 A. Yes, sir.

6 Q. On page 10 and page 11 you indicate the  
7 desire for a greater sales effort on the part of the  
8 railways, and you indicated to Mr. Cumming yesterday  
9 that the sales effort of the trucking industry appears  
10 to be more aggressive. Would you agree that one of the  
11 reasons for that is that you have a great many trucking  
12 companies, in central Canada particularly, competing  
13 with each other on certain routes, and this is a factor  
which contributes to this sales policy?

14 A. It may be one of the factors, sir.

15 Q. Is it the experience of your members that  
16 - take the route between Windsor and Montreal - that you  
17 have possibly half a dozen highway carriers all vying  
for the same freight.

18 A. Yes.

19 Q. And that your members, the traffic managers,  
20 are being besieged by representatives of most of those  
21 twelve in addition to any efforts the railways may make.

22 A. Yes.

23 Q. And can you assist the Commission by  
24 indicating whether or not it is the opinion of your  
25 members that the competition, the numbers of highway  
26 carriers in a particular field, produce more co-operation  
27 with the shipper in respect to his needs and his require-  
28 ments, and so on?  
29  
30







1  
2 A. I think that these truckers are looking  
3 after their individual interests and that is what prompts  
4 them to solicit the traffic. Whether they are competing  
5 with other truckers or the railways or private carriage,  
6 I do not know.

7 Q. Would you say that the competitive aspect  
8 of the trucking industry, with the variety of carriers  
9 that may be used, produces better service for your members?

10 A. Undoubtedly.

11 Q. That is the competition and the producers'  
12 aggressive sales efforts and an attempt to satisfy your  
13 customers' needs?

14 A. Yes, sir.

15 Q. Do you find that this increases as the  
16 number of licensed truck carriers increases? Let me  
17 put my question a little better. Does more competition  
18 assist your members in having your needs serviced by the  
19 trucking industry?

20 A. I have not considered that problem or  
21 that proposition before, Mr. Hume.

22 MR. HUME: Thank you very much, Mr. Gracey.

23 THE CHAIRMAN: Mr. Mauro?

24 CROSS-EXAMINATION BY MR. MAURO:

25 Q. Mr. Gracey, to pursue a point that was  
26 touched upon by my learned friend Mr. Hume, you and your  
27 Association are advancing the proposal that we have more  
28 of an integrated transportation system in Canada, by  
29 which term I mean a system that permits a shipper in  
30 Winnipeg to consign goods to someone, for example, in





1 Montreal and expect to receive the cheapest, the most  
2 efficient mode of transportation, regardless of the  
3 medium used, by the method of through bills, or whatever  
4 method might be devised -- is that correct?

5 A. Yes, sir.

6 Q. And, while Mr. Hume's examination  
7 touched on the trucks,

8 I assume that the principle that the Traffic League is  
9 proposing here is that it would apply not only to trucks  
10 but to water carriers and other modes of transportation?

11 A. I tried to make that clear.

12 Q. And that perhaps the ideal situation  
13 would be the day where a shipper could go to a trans-  
14 portation broker and say that he wants to ship a  
15 given amount of goods to a given spot and it would be  
16 taken over from that point on and shipped in the most  
17 economical and efficient manner?

18 A. No. We were not thinking of interjecting  
19 a transportation broker into the picture.

20 Q. Then, instead of the transportation broker,  
21 he would go to the railroad in this particular example,  
22 and the railroad would grant this through bill of lading  
23 and give him a rate which in fact reflected  
24 the cheapest and most efficient method of transportation?

25 A. That is right, sir. My members would  
26 do the contracting with the originating carrier.

27 Q. On page 2, in paragraph 7, Mr. Gracey, you  
28 mention:

29 "Privately-owned transportation has been  
30







1 considered by many as a solution to in-  
2 creasing freight costs and unsatisfactory  
3 service."

4 Has the Industrial Traffic League, in fact, had dis-  
5 cussions concerning these problems of increasing freight  
6 costs and unsatisfactory service?

7 A. Yes, sir.

8 Q. What was the conclusion of your Associa-  
9 tion as to which factor was more important in the loss  
10 of traffic to the railways? Which of the two factors  
11 -- increasing freight costs or unsatisfactory service?

12 A. It is a combination of both, sir, depend-  
13 ing on individual circumstances.

14 Q. I suggest -- and I would be interested in  
15 your opinion -- that many of your members have stated  
16 that they want private trucking not because it was  
17 cheaper -- in fact it was more expensive -- but they want  
18 the private trucking because of the flexibility of  
19 operation that is permitted, the reduction in inventory,  
20 the general service features that private trucking gave  
21 that the railway could not give or were not giving?

22 A. I have heard that statement before, but I  
23 do not believe it is from League members.

24 Q. So in your opinion neither one of these  
25 two factors has any greater impact than the other?  
26 In your opinion, if rates were reduced to a particular  
27 level, the railway could win back traffic with them?

28 A. Not unless their service standards were  
29 high enough and matched with their rate structure. It  
30





1 is a delicate balance, depending on individual circum-  
2 stances.

3 Q. On page 3, paragraph 11 reads:

4 "We are somewhat perplexed as to the use of  
5 the words 'inequities in the freight rate structure'.  
6 Our interpretation of the word 'inequity' is:-  
7 rates that are 'unjust' or 'unfair'."

8 Now I wonder whether you might advise the Commission  
9 whether or not your Association believes that there are  
10 any inequities in the Canadian freight rate structure  
11 -- and we will use your words -- are there any unjust  
12 rates or unfair rates in the Canadian freight rate  
13 structure?  
14

15 A. We do not know whether there are or not,  
16 sir.

17 Q. You do not know whether there are or not?

18 A. No.

19 Q. Has your Association considered the matter  
20 of horizontal percentage increases and their effect on the  
21 Canadian freight rate structure?

22 A. Yes, sir.

23 Q. What is the position of your Association  
24 on that factor?

25 A. I have it in my brief. There is a  
26 statement in paragraph 12 that in our opinion some of  
27 the inequalities in rates are caused -- and I include  
28 there "the impact of horizontal general increases."  
29 We do not consider them inequities; we call them inequali-  
30 ties, sir.





1  
2 Q. Quoting that paragraph:

3 "In a country the size of Canada there is always  
4 the possibility of certain inequalities in rates.  
5 In our opinion some of these could be caused by  
6 statutory rates, government subsidies and the  
7 impact of horizontal general increases bearing  
8 on long haul traffic."

9 So your Association is telling us in paragraph 12 that  
10 there is the possibility of certain inequalities in  
11 rates. The word "inequalities" in paragraph 12 --  
12 is that the same word that you use in paragraph 11 as  
13 "inequities"?

14 A. No, sir. "Inequality" is different from  
15 "inequity", in our view.

16 Q. It may not be of assistance to the Commission,  
17 but perhaps it would be of assistance to me if you tell me  
18 what is the difference between "inequality" in rates  
19 in paragraph 12 and "inequity" in paragraph 11?

20 A. In our view, an inequity, Mr. Mauro,  
21 is the want of equity or justice, the fact or quality  
22 of being unfair, or partiality, whereas "unequal" is  
23 being not equal in amount or size or quality, variable  
24 or uneven in quality, or in which two parties are not  
25 in equal terms or have not an equal advantage.

26 Q. Mr. Gracey, I want to read to you some  
27 rates, and you will tell me as an experienced traffic  
28 man and representing the Industrial Traffic League  
29 whether these are unequal or inequitable, assuming that  
30 these rates are correct, and you can check them as to







1 whether they are correct. These are commodity rates.

2 MR. SINCLAIR: Why should he check the rates?

3 MR. MAURO: Just if he wants to. He does  
4 not have to, because they are correct.

5 Q. Agricultural implements, east to west  
6 movement, rate per ton, 1949, \$30.08; east to east,  
7 1949, \$9.33. The rate in 1958, \$62.65 on the east to  
8 west movement, or an increase of \$32.57. The east to  
9 east movement increased to \$16.43, or a total increase  
10 of \$7.10. The increase over those nine years on the  
11 east to west movement was \$32.57. Is that unequal or  
12 an inequity?

13 A. I would say that is unequal.

14 Q. Auto parts, 1949, east to west, \$40.79;  
15 east to east, \$10.44. In 1958, east to west, \$87.49;  
16 east to east, \$11.44. The increase on the east to west  
17 movement was \$46.70; on the east to east movement, \$1.00.  
18 Is that unequal or an inequity?

19 A. I imagine that is unequal.

20 Q. It certainly is. Wooden containers,  
21 1949, east to west, \$27.58; east to east, \$7.18. In  
22 1958, east to west, \$51.00; east to east, \$16.00.  
23 A cumulative increase, east to west, \$24.00; a cumulative  
24 increase east to east, \$9.00. Is that unequal or an  
25 inequity?

26 A. That is unequal, sir.

27 Q. Candy, east to west, a cumulative total  
28 from 1949 to 1958 of \$18.43; east to east, a reduction of  
29 \$5.00. Is that an unequal structure or is it an inequity?  
30





1 A. From the figures you have given me, I  
2 would say they are unequal.

3 Q. Mixed cars, the cumulative increase, east  
4 to west, \$44; east to east, \$1.41. Is that an unequal  
5 rate structure or an inequity?

6 A. That sounds unequal.

7 Q. Have you ever known an equal rate in a  
8 rate structure to result in an inequity?

9 A. If you have an inequity, there is re-  
10 course that they can take with the Board of Transport  
11 Commissioners, if they feel it is an inequity.

12 Q. From the viewpoint of your Association in  
13 preparing this brief, what do you think the Governor  
14 in Council was referring to when he set out that this  
15 Commission should investigate inequities in the freight  
16 rate structure?

17 A. Our paragraph says:

18 "We are somewhat perplexed as to the use  
19 of the words 'inequities in the freight rate  
20 structure'."

21 Q. Do you think the Governor in Council  
22 chose poor language?

23 A. In their wisdom they chose correct language  
24 but they did not get it through to our members.

25 Q. What about your Association?

26 A. To our Association.

27 Q. Do you think the statutory rate on the  
28 handling of grain is an inequity or is it an unequal  
29 rate?  
30







1 A. We do not know, sir.

2 Q. You do not know?

3 A. We do not know whether those rates are  
4 inequities or unequal.

5 Q. What would make the statutory rate an  
6 inequity and possibly an unequal rate?

7 A. We do not know, sir, but we are asking the  
8 Board of Transport Commissioners to determine the rates,  
9 to investigate that.

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11  
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18 (Page 9722 follows)  
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1  
2 Q. The Board of Transport Commissioners or  
3 this Royal Commission?

4 A. The Board of Transport Commissioners for  
5 Canada as outlined in our paragraph 14.

6 Q. I notice in paragraph 15 that you have  
7 no position on any of this and you state the League  
8 respectfully submits that the Board of Transport Commiss-  
9 ioners determine just and reasonable rates. In 15:

10 "The League recommends that the difference between  
11 any statutory rate and normal reasonable rates so  
12 determined be borne by the national treasury."

13 The League has presupposed that the position  
14 of the Board of Transport Commissioners would be that  
15 they are not reasonable and just rates.

16 A. I think I cleared that up yesterday in  
17 the transcript at page 9675 - "if any".

18 Q. If any?

19 A. If any.

20 Q. Now, take page 4, Mr. Gracey, paragraph 13  
21 you mention that they may investigate such developments  
22 as solid and collapsible container rates which may be  
23 based on the weight, bulk and distance moved rather than  
24 the type of lading inside. Has the association given any  
25 thought to the possibility of rates based on per car  
26 sort of rental?

27 A. No, sir.

28 Q. Do you think a rate structure based on per  
29 car rates, regardless of the commodity contained in the  
30 car, might go along with the sort of thing you are sug-  
gesting in paragraph 13?





1  
2 A. Such rates are in effect at the present  
3 time.

4 Q. Are those the sort of rates you refer  
5 to in paragraph 13?

6 A. No, I do not think so. These were based  
7 on having the goods travel in solid or collapsible con-  
8 tainers, not in the present box car that we have for  
inter-mode.

9 Q. Is it the suggestion in paragraph 13, you  
10 are tending here towards the cost of service as opposed  
11 to a value of service.

12 A. It is leading that way, sir.

13 Q. In cost of service, he would have it where  
14 the railway simply sells transportation, simply sells  
15 the cost of transporting a particular car, a particular  
number of miles?

16 A. In conjunction with adequate service.

17 Q. Oh yes, but this would be one of the  
18 ultimate refinements of cost of service where a person  
19 simply purchases from the railways transportation regard-  
20 less of the commodity he is in fact shipping.

21 A. That might come in eventually.

22 Q. Now, in discussion with my learned friend  
23 Mr. Cumming yesterday, the matter of passenger service  
24 was touched upon and you stated that your association  
25 did not feel that the passenger service should be sub-  
sidized. Is that correct?

26 A. Yes.

27 Q. And as I understand it you stated this  
28 was because of the matter of managerial discretion?  
29  
30







1  
2 A. Yes, sir.

3 Q. Now, does your association feel that the  
4 passenger services are being run at a deficit or a  
5 profit at the present time?

6 A. We do not know.

7 Q. Do you personally have any feelings on  
8 that?

9 A. No, sir.

10 Q. Do you think they are being operated at  
11 a profit?

12 A. I don't know.

13 Q. For the purpose of our little discussion,  
14 let us assume that the management of the C. P. R. decide  
15 that due to the fact a particular passenger service  
16 is being operated at a deficit they will exercise their  
17 discretion and abandon it. They cannot just abandon it,  
18 can they, Mr. Gracey?

19 A. Are we talking of section 18, paragraph  
20 18?

21 Q. Well, that is what I have marked as to  
22 where you discussed it with Mr. Cumming yesterday.

23 A. Yes, I think we state there that they  
24 should try to work to eliminate services not required  
25 by public necessity. They could state that they wished  
26 to abandon this, but if it is in the public interest,  
27 if they cannot persuade the people that they should be  
28 allowed to do this, they should not be allowed to do  
29 it, but it is up to them in their most forceful manner,  
30 they have to impress on these people the need for  
abandonment of such service.





1  
2 Q. Well, that is a very accurate statement  
3 and now we will come back to my question. You mention  
4 this business about managerial discretion and we have  
5 heard a lot about it and I would give you a little  
6 context: The C. P. R. decides they want to abandon,  
7 they exercise their managerial discretion and they want  
8 to abandon a service. Are they permitted just to abandon  
9 it?

10 A. No, sir, they are not.

11 Q. They exercise their discretion in order  
12 to make the decision but then they apply to abandon it?

13 A. Exactly, sir.

14 Q. And having made this application and having  
15 convinced the Board of Transport Commissioners it is  
16 being operated at a deficit, and the Board of Transport  
17 Commissioners, regardless of the fact came to a  
18 decision on public necessity and convenience that it  
19 requires maintenance of that service, who will bear the  
20 deficit on that?

21 A. The railway will.

22 Q. What about the freight users?

23 A. Maybe they will indirectly.

24 Q. Do you know where the railway picks  
25 up its money?

26 A. No, sir.

27 Q. So that the Industrial Traffic League says  
28 that if passenger services must be operated at a deficit  
29 that is OK, extract those deficits from the freight users?

30 A. We are suggesting to the railways that they  
should work to eliminate these services and we will expect







1  
2 them to work to do this, to eliminate these services,  
3 and if in the public interest the Board of Transport  
4 Commissioners say they cannot, we will have to abide by  
5 the decision.

6 Q. And the freight shipper will have to bear?

7 A. We will agree with any decision the Board  
8 gives.

9 Q. But in the case of the statutory rates on  
10 grain you say the Board of Transport Commissioners should  
11 look into it and if they find the rates too low, the  
12 difference should be made up?

13 A. Yes, sir.

14 Q. What is the distinction in the mind of  
15 your association as to the losses that are occasioned  
16 by the statutory grain rates and their impact on the  
17 freight shipper and the losses occasioned by deficit  
18 passenger services necessarily maintained in the public  
19 interest?

20 A. Because of the nature of the goods and  
21 the movement of the goods that move under the Crow's  
22 Nest are considered in the national interest.

23 Q. I made that very clear distinction,  
24 Mr. Gracey, that if there were passenger services  
25 maintained in the national interest at a deficit, would  
26 your association apply the same principle and say the  
27 difference between just and reasonable rates for the  
28 movement of people in the national interest to be  
29 treated in the same way as just and reasonable rates  
30 generally in the freight structure.

A. We have not yet accepted the view that





1  
2 passenger service is in the national interest.

3 Q. Your association has not conceived of a  
4 passenger service in this country, either in war or peace,  
5 that would be in the national interest?

6 A. I will fall back to my statement, by public  
7 necessity.

8 Q. But if it were publicly necessary, if it  
9 were publicly necessary, would your association apply  
10 the same principles as they have applied on the statutory  
11 grain rates?

12 A. I will have to answer that question when  
13 the time comes, I cannot answer it today.

14 MR. MAURO: Thank you very much, Mr. Gracey.

15 THE CHAIRMAN: Mr. Frawley?

16 CROSS-EXAMINATION BY MR. FRAWLEY:

17 Q. First of all I would like to clear up  
18 some things that you told my friend Mr. Hume this  
19 morning that the League was making a submission next  
20 month. Now, to whom is the League making the submission  
21 next month?

22 A. We will be making the submission to the  
23 Canadian Motor Vehicle Association.

24 Q. So the Canadian Motor Vehicle Association.  
25 Now, first of all, let me ask you something about the  
26 Canadian Motor Vehicle Association: Is it a voluntary  
27 organization or is it incorporated under some law,  
28 federal or provincial?

29 A. I don't know.

30 Q. Well, you are making representations to





1  
2 them, there must be some entity somewhere with whom  
3 you communicate?

4 A. Yes, sir.

5 Q. Tell me something about this association.

6 A. Our knowledge of this association is that  
7 it was formed by the various provincial boards in  
8 Victoria on either September 17 or September 18, 1959.  
9 Mr. G. C. Marrs, who is a member of the Ontario Highway  
10 Transport Board is a member of this group and the  
11 secretary of the group.

12 Q. He is a member of the Ontario Highway  
13 Traffic Board?

14 A. Yes, sir, he is also secretary of the  
15 board but he is a member secretary of the Ontario Highway  
16 Transport Board.

17 Q. A member and secretary of this Ontario  
18 regulatory body and what is he in this Canadian Motor  
19 Vehicle Association?

20 A. I am not just certain what his position  
21 is but he is a party to this association.

22 Q. Because you said the association is made  
23 up of all of the provincial regulatory bodies in the  
24 ten provinces?

25 A. Yes, sir.

26 Q. Now, then, is Mr. Marrs the person with  
27 whom you communicate?

28 A. Yes, sir, so I assume he is the secretary  
29 of the Canadian Motor Vehicle Association.

30 Q. Now then, what sort of representations  
are you going to make to Mr. Marrs for this Canadian







1  
2 Motor Vehicle Association?

3 A. Our representations will be in connection  
4 with our views on a proposed highway transport act as  
5 presented by the Canadian Trucking Associations in  
6 Victoria to that body known as the Canadian Motor Vehicle  
7 Association.

8 Q. Now, were these regulatory bodies meeting  
9 in the ordinary course of their association business or  
10 were they formed as the Canadian Motor Vehicle Association  
11 before they met in Victoria?

12 A. I am not just sure -

13 Q. Well, what is the nature of this meeting in  
14 Victoria? Was it a meeting called for the purpose of  
15 forming this association or was it a meeting of these  
16 regulatory people from time to time among themselves?

17 A. I was not informed of just how it came about.

18 Q. And at this meeting next month, is this  
19 a meeting of the Canadian Motor Vehicle Association?

20 A. I understand it is, sir.

21 Q. And what is the date of it?

22 A. "Please be advised that the Canadian  
23 Motor Vehicle Association plans on holding their next  
24 conference in the latter part of April."

25 Q. And are they meeting for the purpose of  
26 receiving representations with respect to the proposed  
27 federal motor carrier act?

28 A. They are going to accept our views - I do  
29 not know if that is the only item on their agenda.

30 Q. It is actually a proposed federal motor  
carrier act?





1  
2 A. It is stated as a highway transport act  
3 proposed for Canadian Trucking Associations which will,  
4 if it is passed, repeal the Motor Vehicle Transport Act  
5 23 Elizabeth 11.

6 Q. Well, it will be a federal statute?

7 A. Yes.

8 Q. To replace the present statute which  
9 delegated to the provincial boards the power which the  
10 Privy Council felt abided only with parliament?

11 A. I understand.

12 Q. So in view of the present state of affairs,  
13 you will have a full-blown federal motor carrier act if  
14 this proposal is accepted?

15 A. It will be an alternate act.

16 Q. Do you mind telling me whether you are  
17 going to express favour or disfavour with it?

18 A. I don't know.

19 Q. Well, we cannot get that. My friend  
20 Mr. Hume spoke to you a moment ago and I made a note in  
21 which he said the recommendations of this Commission  
22 would have to be for regulation or that it be thrown  
23 wide open, that is the control of interprovincial motor  
24 transport. Did you understand Mr. Hume as I understood  
25 him?

26 A. No, sir.

27 Q. I am only suggesting that the only recom-  
28 mendation that this Commission could make in the matter  
29 of interprovincial highway transport would be that it  
30 should be regulated by parliament. I suggest that  
would be the only regulation which this Commission could  
make?







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A. I don't know, sir.

Q. Because if the Commission's recommendation was that it be thrown wide open that would be simply recommending the existing state of affairs which would be rather an empty recommendation, would you not think?

A. I am confused. Do you mean this Royal Commission on Transportation?

Q. Yes.

A. I don't know, we are not discussing this matter in our brief.

Q. And you do not at the moment have any intention of making any further submissions to the Commission with regard to the regulation of interprovincial highway transport?

A. Until yesterday we did not know this matter would be discussed before the Royal Commission.

Q. And you say "until yesterday" and you have no thought of seeking any further instruction in that regard from the League?

A. I have not yet received direction, sir.





1 Q. Now, Mr. Gracey, you will not be surprised  
2 to find that I feel very much like my friend Mr. Mauro  
3 when I read paragraph 11 on page 3 of your brief:  
4

5 "We are somewhat perplexed as to the use  
6 of the words 'inequities in the freight rate  
7 structure'. Our interpretation of the word  
8 'inequity' is:- rates that are 'unjust' or  
9 'unfair'. For such inequities we believe  
10 there is a remedy provided under Section 328,  
11 subsection 5 of the Railway Act."

12 Mr. Gracey, will you tell me where there is any remedy  
13 under the Railway Act, unless you are applying to have  
14 the Transport Board declare a rate to be unjust and un-  
15 reasonable, or unless you are going to the Transport  
16 Board claiming that a certain rate situation is unjustly  
17 discriminatory against some particular shipper or re-  
18 ceiver? Outside of those situations, would you mind  
19 pointing to the Railway Act and telling me where any  
20 redress is present for somebody who says that a rate is  
21 just plain unfair?

22 A. Unequal.

23 Q. What is that?

24 A. I would use the word "unequal".

25 Q. All right, "unequal"?

26 A. There is no recourse.

27 Q. Now, let me just put on the record, be-  
28 cause you seem to have been looking at the same diction-  
29 ary, so we will not be in any quarrel about the meaning  
30 of the word:





1 "Inequity" means "want of inequity;  
2 injustice, unfairness."  
3

4 "Equity", without getting into its legalistic connotations,  
5 is, "the state or quality of being equal or fair."

6 Now, with that background, would you not agree  
7 with me that when the Governor in Council wrote those  
8 words into the terms of reference of this Commission and  
9 directed them to investigate and examine into and report  
10 upon inequities in the freight rate structure, that he  
11 obviously was going further than the question of the two  
12 matters already dealt with in the Railway Act, namely,  
13 the unjust and unreasonable rate and the unjustly  
14 discriminatory rate? Would you not think that the  
15 Governor in Council was going further?

16 A. No, sir.

17 Q. Then, why would the Governor in Council  
18 need to put anything in the terms of reference at all?  
19 Why would he need to say anything about it at all,  
20 because it is in the Railway Act?

21 A. That is what we say in paragraph 11:  
22 "We are somewhat perplexed . . ."

23 Q. Does your perplexity go so far to say you  
24 do not see any reason why the Governor in Council had  
25 to include that in his terms of reference, because it  
26 was all covered by the Railway Act?

27 A. I do not know.

28 Q. And in spite of that you told me two  
29 minutes ago there was nothing in the Railway Act to take  
30 care of a case which was just plain unfair.







1 MR. SINCLAIR: I think my friend knows the  
2 Railway Act, and "unfairness" has a legal connotation,  
3 and he has been told time and time again that "unjust  
4 and unreasonable" is unfair in law.  
5

6 MR. FRAWLEY: Q. Notwithstanding my  
7 friend's interruption, I put it to you, Mr. Gracey, and  
8 you can change it if you wish, but you told me you  
9 knew of nothing in the Railway Act that took care of a  
10 situation unless it was the case of allegedly unjust  
11 and an unreasonable rate, or an allegedly unjustly  
12 discriminatory rate. Now, you are not taking that back,  
13 are you?

14 A. I said "inequity" is unjust or unfair.

15 Q. That is right, but you agree with me you  
16 can only point to the two things in the Railway Act to  
17 which I called your attention?

18 A. That is right.

19 Q. All right; we will leave it at that.  
20 Something else I could not understand yesterday was  
21 when you were discussing with Mr. Hume, I think, the  
22 matter of private trucking. Would you mind being good  
23 enough -- and I hope it won't be too repetitious -- to  
24 tell me just what the Canadian Industrial Traffic League  
25 has to say about private trucking -- the case of the man  
26 who decides, for good or for bad, that he is going to  
27 truck his own goods. What is the concern of the In-  
28 dustrial Traffic League with that gentleman?

29 A. I don't quite follow your question.

30 Q. Well, I understood yesterday you were





1 drawing some distinction and making some comparison  
2 between the for-hire trucker rates, good or bad, and the  
3 private trucking of goods on the highway?  
4

5 A. Yes, sir; we would like to state that if  
6 the common carriers cannot develop the service standards  
7 and the rate structure that is required, that private  
8 individuals may enter into private transportation.

9 Q. At the moment there are lots and lots of  
10 concerns all over Canada that are privately trucking  
11 intercity?

12 A. Yes, sir.

13 Q. All I want to know is, is the Industrial  
14 Traffic League worried about that to the point where they  
15 would like to see it stopped?

16 A. No, sir.

17 Q. No. You have not gone that socialist  
18 yet, I take it?

19 A. No, sir.

20 Q. You don't care, or, I suggest to you  
21 you should not care, whether the ABC company decides  
22 to go into trucking and loses its shirt?

23 A. Is this the ABC trucking company or the  
24 manufacturing company?

25 Q. I am sorry; thank you for the correction.  
26 The ABC manufacturing company: if it decides to do its  
27 own trucking, you are not really at all concerned with  
28 that?

29 A. No, sir.

30 Q. Well, really, when you stop to think about







1 it calmly, what in the world would the Industrial Traffic  
2 League be concerned about as to whether Eatons or  
3 Simpsons or Canada Packers or Burns & Company decided,  
4 for reasons best known to themselves, they were not  
5 going to have anything to do with the railways or for-  
6 hire truckers, and they were going to haul their own  
7 goods?

8  
9 A. That is their prerogative.

10 Q. And the Canadian Industrial Traffic League  
11 would not give it any thought at any of its meetings?

12 A. We have given it thought.

13 Q. Just why would the Industrial Traffic  
14 League be concerned with the private affairs of those  
15 concerns?

16 A. We are not talking of the individual  
17 concerns, but we are considering the fact that this  
18 erosion is having an effect on the for-hire carrier  
19 industry, and we mention that in paragraph 7:

20 "It has been realized that private trans-  
21 portation may seriously affect the for-hire  
22 carrier industry, and that with the diversion  
23 of traffic to private carriage the competitive  
24 struggle for the remaining traffic becomes more  
25 intense."

26 Q. All right. Well, it is having a serious  
27 effect: you may as well have included that it is having  
28 an equally serious effect on the railways?

29 A. And on shipping lines and pipe lines.

30 Q. That is right. Would you suggest that





1 be stopped?

2 A. No, sir.

3 Q. And if more and more concerns want to go  
4 and buy their own trucks and move their own goods, the  
5 Industrial Traffic League is not going to move a finger  
6 to prevent that?

7 A. No, sir, but we are cautioning the car-  
8 riers to be aware of this.

9 Q. You think this calls for some resolutions  
10 on the part of the Traffic League, and you forward copies  
11 of those to the for-hire industry and, I suppose, to the  
12 railways?

13 A. No, sir; we present it in this brief.

14 Q. This brief to the Royal Commission?

15 A. Yes, sir.

16 Q. Do you expect the Royal Commission to make  
17 any recommendation to the Parliament of Canada that  
18 something should be done to hamper and restrict the  
19 privilege that people have of hauling their own goods  
20 on the highway so long as they pay the licence fee?

21 A. No, sir.

22 Q. Mr. Gracey, you say in paragraph 14 --  
23 you request that this Commission recommend that the  
24 Board of Transport Commissioners for Canada determine  
25 just and reasonable rates on grain and flour, and then  
26 you continue on as to what you think should be done  
27 about the difference, if any, between that just and  
28 reasonable rate which the Board would determine and  
29 the rates which the railways are presently charging.  
30





1 That is roughly the effect of that paragraph. I didn't  
2 understand you to say, but I want to give you an oppor-  
3 tunity to correct any wrong impression I may have --  
4 I really didn't understand you to say that you agreed  
5 that the just and reasonable rate on grain moving to  
6 export positions in western Canada was a rate which  
7 returned to the railway its full cost -- all of its  
8 variable cost and all of its constant cost -- were you  
9 saying that?

10  
11 A. We are not saying that, sir.

12 Q. I suggest you would find it difficult to  
13 say that grain moving to export positions in western  
14 Canada -- such a basic part of the economy of western  
15 Canada -- should pay full cost, and the farm machinery  
16 pay maybe three or four times full cost, and other  
17 semi-manufactured articles, like the coiled steel moving  
18 from eastern Canada to Vancouver, would pay a rate of  
19 .699 cents per ton mile which, having been refused any  
20 cost information, I must say is probably very little  
21 over bare out-of-pocket cost? That being the rate  
22 situation, you certainly would not say that the just and  
23 reasonable rate for grain moving to export positions in  
24 western Canada was a full cost rate?

25 A. I do not know, sir.

26 Q. You say in paragraph 16 that it is the  
27 conviction of the Canadian Industrial Traffic League that  
28 satisfactory and workable solutions for present and  
29 future problems in rail transportation are available, and  
30 that they will come through the accumulated experience and







1 wisdom of railway transportation men. If they are  
2 available -- solutions for present and future problems  
3 -- do you know what they are, Mr. Gracey?  
4

5 A. I do not know what they are.

6 Q. Does anyone in the Canadian Industrial  
7 Traffic League know what they are?

8 A. No, sir.

9 Q. You say they are available: are you sure  
10 they are available?

11 A. We feel sure they are available.

12 Q. But you do not know where to go to find  
13 them?

14 A. We have made certain suggestions later  
15 on where they can go to find them.

16 Q. The matter of packaging and that sort of  
17 thing?

18 A. Not only that; many other things. We say  
19 they should try to reduce duplications and eliminate  
20 services not required by public necessity, work with  
21 other people -- we have a number of items that we wish  
22 they would consider.

23 Q. Are all those things going to make the  
24 branch line deficit disappear?

25 A. I do not know, sir.

26 Q. Are they going to make the passenger line  
27 deficit disappear?

28 MR. SINCLAIR: What branch line deficit, Mr.  
29 Chairman?

30 MR. FRAWLEY: Q. Are all those things going





1 to make the passenger deficit disappear?

2 A. We do not know if there is a passenger  
3 deficit.

4 Q. The Canadian Industrial Traffic League  
5 does not know if there is a passenger deficit on the  
6 Canadian railways today?

7 A. No, sir.

8 Q. That is fine. The members of the Canadian  
9 Industrial Traffic League, as I understand it, speaking  
10 generally, are the traffic managers of manufacturing  
11 and distributing concerns all over Canada?

12 A. Yes, sir.

13 Q. The concerns of which those people are  
14 traffic managers don't pay any freight rates in and of  
15 themselves?

16 A. Pardon?

17 Q. They do not pay freight rates in and of  
18 themselves?

19 A. I do not understand.

20 Q. Well, do they pay a freight rate?

21 A. The members of the League?

22 Q. No, not the members, but the concerns  
23 whom they represent?

24 A. The concerns pay freight rates.

25 Q. And do those freight rates abide there in  
26 that firm for whom these traffic managers act?

27 A. What do you mean?

28 Q. If Canada Packers moves a carload of meat  
29 from Toronto by rail or by highway, they pay a freight  
30







1 rate bill?

2 A. Yes, sir.

3 Q. You know, of course, that either the per-  
4 son who buys the meat or the person who sells the meat  
5 pays the freight rate?

6 A. Yes, sir.

7 Q. And it is those kind of people who make  
8 up the membership of the Canadian Industrial Traffic  
9 League?

10 A. Yes, sir.

11  
12 ---Short recess.

13  
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1  
2 THE CHAIRMAN: Order, please, gentlemen.

3 MR. FRAWLEY: Mr. Chairman, I would like to  
4 speak to an exhibit which I filed, No. 86, some weeks  
5 ago, a rate statement. Now, when it was filed  
6 Mr. Commissioner Mann made what turned out to be a very  
7 pertinent remark - not the first pertinent remark he  
8 has made, and I am sure it will not be the last. He  
9 asked whether or not these rates included the bridge  
10 subsidy and the Maritime Freight Rates Act subsidy.  
11 I didn't know, but I found out and I found out that  
12 they were at net for the bridge subsidy and they were  
13 at net for the Maritime Freight Rates Act subsidy and  
14 therefore they were not fulfilling the purpose for  
15 which they were submitted. It turned out that there  
16 were not many rates involved, very few under the  
17 Maritime Freight Rates Act and a few under the bridge  
18 subsidy. Now, I have in my hand Exhibit 86 revised  
19 showing the total amounts received by the railways,  
20 which therefore reflects properly the per ton mile  
21 revenue. It was a simple thing to make the corrections  
22 with respect to the bridge subsidy; it was certainly  
23 not a simple matter to change it with respect to the  
24 Maritime Freight Rates Act. So I would offer this  
25 statement now. Major Lafrance suggests it simply be  
26 called revised Exhibit 86.

27 THE CHAIRMAN: Or 86A.

28 MR. CUMMING: I think that would be a good  
29 suggestion, Mr. Chairman.

30 MR. FRAWLEY: I have sent out for more copies,  
and we will get them.

---EXHIBIT NO. 86A: Revised Rate  
Statement.





1  
2 THE CHAIRMAN: Before Mr. McDonald is called  
3 to cross-examine Mr. Gracey, Mr. Gracey, your have been  
4 examined on many matters, but is the League from its  
5 very being carrying on any special work itself at the  
6 present time trying to solve all these transportation  
7 problems that we have in Canada? Is it constructive?

8 THE WITNESS: Yes, sir, we are taking construc-  
9 tive action. It started some thirty years ago, trying to  
10 educate the young lads in industrial traffic management.

11 THE CHAIRMAN: And what are you doing today  
12 and what do you propose to do?

13 THE WITNESS: Well, we have a very constructive  
14 action in connection with the carriers; we have formed  
15 late in 1958 the Canadian Institute of Traffic and  
16 Transportation. This is an organization for the education  
17 of traffic management personnel, both in carriers and  
18 in industry.

19 THE CHAIRMAN: That is carriers of all descrip-  
20 tions?

21 THE WITNESS: All descriptions, sir, and they  
22 are members of this institute at the present time.

23 THE CHAIRMAN: Rail, road and water?

24 THE WITNESS: Rail, water, air. I don't think  
25 we have a pipeline man yet, but we have steamships,  
26 we have people -- for instance, the Railway Association  
27 is a member, the Shipping Federation, the Express Traffic  
28 Association, firms, organizations such as that.

29 THE CHAIRMAN: What are you doing and what do  
30 you propose to do?

THE WITNESS: In this case we have forty







1  
2 founder members who will maintain their membership until  
3 1969, that is nine years left. We are starting a  
4 course of instruction at the University of Toronto --

5 THE CHAIRMAN: You are?

6 THE WITNESS: This is the institute, sir.  
7 This is new, and this course of instruction is based  
8 very heavily on transportation economics and transportation  
9 law. We also have subjects dealing with English  
10 composition, and then there are option subjects at the  
11 end of the three-year course, say, statistics, business  
12 administration, labour administration. The students at  
13 that time may select which option subject suits him best.  
14 We are now contemplating that that student, after he  
15 has conducted this three-year course, be working in  
16 industry or in carrier, and we are considering now that  
17 this man will have to write a paper, an original contribu-  
18 tion on transportation; it may be containerization or  
19 on the Crow's Nest Pass rates. His selection of subject  
20 will have 6,000 to 10,000 words, and that has to be  
21 passed, I believe, by this examining board. He has to  
22 do that before he will be entitled to use initials after  
23 his name, much in the manner as chartered accountants.  
24 We feel that in twenty years' time, ten years' time,  
25 perhaps, the graduates of this course will be better  
26 trained to look after the legacy of the troubles we have  
27 left them in transportation matters, and we look on  
28 this program as one of the most forward steps we have  
29 taken in Canada to solve transportation problems today.

30 THE CHAIRMAN: Are you getting co-operation  
from the carriers?





1  
2 THE WITNESS: Extremely fine co-operation.

3 We have had an examination on the practical aspects,  
4 how to make a bill of lading, how to present a demurrage  
5 report. There are twenty-seven different topics; they  
6 will have to take examinations on those topics. The  
7 first examination will be on May 17 of this year. There  
8 are 625 students enrolled. I am one of the students  
9 who are going to try this examination. You will have  
10 to pass this; this will be your honour matriculation,  
11 this will be your know-how.

12 We will then take this man who is trained and  
13 the institute is going to try to educate this man, to  
14 understand the problems.

15 THE CHAIRMAN: Are you getting co-operation  
16 from the Universities?

17 THE WITNESS: Yes. We are dealing with the  
18 University of Toronto at the present time. They are  
19 conducting the correspondence course, and just last  
20 week I was at Assumption College in Windsor where we  
21 are working out a plan with them. I understand that the  
22 University of Manitoba is being brought into this. We  
23 are working at the present time with the George Williams  
24 College in Montreal, and we are presently working out  
25 an arrangement with the University of British Columbia.

26 THE CHAIRMAN: Thank you, Mr. Gracey.

27 Mr. McDonald?

28 MR. McDONALD: Thank you, Mr. Chairman.  
29  
30







CROSS-EXAMINATION BY MR. McDONALD:

Q. Mr. Gracey, in your brief on page 10 you say the railways should also consider the following subjects for possible market research. I just want to deal with that question this way. Are you aware that the Canadian National, as a separate section of its traffic department, has a sub-section dealing exclusively with market research for the last year and a half.

A. I have heard of it personally, but the League has not heard of it.

Q. So the railways haven't just been asleep at the switch on this, they have been doing something about it in the last couple of years.

A. We are saying that they have been doing something about it, but that they will have to do a heck of a lot more about it.

Q. Intensify their efforts?

A. Yes, intensify their efforts considerably.

Q. Do you agree with me that this transportation business in Canada is a very competitive one from coast to coast?

A. Extremely competitive.

Q. And that competition has the effect of controlling rates?

A. Rates and services.

Q. Now, has it been your experience that the railways have co-operated with your League?

A. They have co-operated a great deal. We have many cases of fine co-operation which have resulted





1  
2 in mutual beneficial results.

3 Q. Can you give me an example of the results  
4 obtained by representatives of your Industrial Traffic  
5 League?

6 A. Well, I know of one small firm in Toronto,  
7 whose plant is not much larger than this room, who is  
8 a member of the League, and he makes pumps, small  
9 pumps. He joined our organization, and I met him at  
10 one of our functions and I said, "How are things going?"  
11 He said, "Fine. Your dues are paid for twenty years."  
12 I said, "How did it work out?" and he said, "Well, we  
13 make these small pumps for inclusion in an industrial  
14 process and we bring in small parts, we buy the castings,  
15 we buy small valves and springs from all over." He told  
16 me they had about 300 shipments a month but it only  
17 totalled 30,000 pounds or under 30,000 pounds. This man  
18 is actually a purchasing agent of the organization, but  
19 he said, "I extracted one thing out of your weekly  
20 bulletins that helped me save a considerable amount of  
21 money." I said, "What are your total freight bills  
22 a year?" and he said they were in the nature of \$20,000.  
23 I would rate him a small shipper. I said, "How did it  
24 work out?" and he said, "I was buying regularly at  
25 every two-weeks interval these parts and they were coming  
26 in, but I found in your Traffic Notes a statement on  
27 organization and avoiding minimum weights." He said,  
28 "I adjusted our purchasing schedule so that instead of  
29 \$20,000 our freight bill is \$19,000 a year."

30 That is one type of example of a very small  
man who has used his ingenuity, and this man, by the way,







1  
2 sir, was suggested to the League by a trucker, he  
3 suggested that he should join the League if he is having  
4 problems.

5 I have heard a statement that I put in  
6 Traffic Notes that I am sure will be of great interest  
7 to the Commission. Some people don't know how a traffic  
8 manager operates, but I read this in my issue No. 3599  
9 of October 18, 1957:

10 "How to Hold the Line Against Rising Transportation  
11 Costs.

12 A league member has performed a most remarkable  
13 feat during the recent years when freight rates have  
14 been rising rapidly" -  
15 and this man is a one hundred per cent rail shipper.

16 "During the period 1951-1957 when rail rates increased  
17 over 51 per cent our member, by using various  
18 techniques of industrial traffic management, reduced  
19 his company's freight bill by ten per cent, for the  
20 same number of units to the same destinations even  
21 though each unit increased over five per cent by  
22 weight and eight per cent by volume.

23 "The member's own report of this outstanding per-  
24 formance - a tribute and a testimonial to the  
25 benefit of industrial traffic management reads as  
26 follows:

27 'Until 1952 our products were sold on an F.O.B.  
28 Shipping Point basis. The Sales Department decided  
29 where stocks should be held and the buyers arranged  
30 and paid for the freight.

In 1952 our sales policy was changed and we made







1  
2 'a flat delivered price at any point in Canada.  
3 Control of movement was then vested in the Traffic  
4 Department.

5 The change in policy was made following a study  
6 which revealed that during the year 1951 our  
7 customers had paid transportation charges amounting  
8 to \$404,174.00.

9 A calculation made in August of 1957 shows that  
10 the same number of units to the same destination  
11 would cost us \$364,533.00.

12 From 1951 to 1957 railway rates in general have  
13 been increased by 51.47 per cent, our units weigh  
14 5.25 per cent more and are 8.8 per cent larger but  
15 in the face of this we have lowered the freight cost  
16 by approximately \$40,000.00 a year.

17 The saving was the result of careful planning  
18 of shipments, intelligent use of transit storage  
19 facilities and improved loading methods. The only  
20 reduction we have had in rail rates is an Agreed  
21 Charge to one area which takes about 8 per cent of  
22 our output.

23 Naturally we feel proud of the saving in money  
24 but we are pleased to report that there is no sug-  
25 gestion either from Sales or from our dealers that  
26 the control of movement should be taken from Traffic.  
27 They are happy to leave it in our hands.'"

28 Now, I talked to this member last week, because  
29 the figures I have given you are for 1957, and he said  
30 that since October, 1957, there was a further increase  
CFA84 effective December 1, 1958, which raised the June,  
1951, rates to 77.2 per cent.





1  
2 My member states that he has not rechecked his figures  
3 for the actual territorial mix the way he had where he  
4 was selling his units in 1951, but he assures me that  
5 the latest increase was more than offset by an agreed  
6 charge and a reduction obtained in carload minima, and  
7 I think this is the type of thing our members are doing.

8 MR. McDONALD: Thank you very much.

9 COMMISSIONER MANN: Mr. Gracey, do you find  
10 your members are being advised by the railways to achieve  
11 cost-cutting procedures and things that fit into your  
12 total distribution concept?

13 THE WITNESS: Not enough, sir.

14 COMMISSIONER MANN: The whole point, or one  
15 of the points, of your submission is that, instead of the  
16 League taking the burden of that, the carriers them-  
17 selves should help their customers to achieve greater  
18 efficiency?

19 THE WITNESS: Exactly. Yesterday morning  
20 we heard a gentleman here stating that in the fruit  
21 business this was the case, that he had to go to the  
22 railways with suggestions. The railways do not come  
23 to him with suggestions. That is why we say, get out  
24 and sell.

25 THE CHAIRMAN: Mr. Sinclair?

26 CROSS-EXAMINATION BY MR. SINCLAIR:

27 Q. Mr. Gracey, your submission to this  
28 Commission, I note from volume 52 of the transcript,  
29 page 9702, was concurred in by the Canadian Retail  
30 Federation. Do I take it from that that the submission







1  
2 that you have made here is not only on behalf of pur-  
3 chasers of transportation but also the federation that  
4 is responsible for marketing goods throughout Canada,  
5 the retail federation?

6 A. I did not know that this had taken place,  
7 this action by Mr. La Ferle.

8 Q. Then would this be right, that the members  
9 of the Canadian Industrial Traffic League and the Retail  
10 Federation of Canada, that their transportation group  
11 along with your League would be primarily interested in  
12 securing the free movement of traffic throughout Canada  
and also covering export and import traffic?

13 A. I imagine it would be something like that.

14 Q. As a traffic manager, in any concern  
15 it is his responsibility to determine how he can move  
16 his firm's goods both efficiently and at the lowest  
cost?

17 A. Yes, sir. In paragraph 2 we state:

18 "The efficient and economical transportation of goods  
19 and of persons on behalf of their firms is the  
20 main responsibility of traffic management personnel."

21 Q. And in doing so traffic managers look  
22 upon their work, as men responsible for one element of  
23 the cost of producing and selling goods, just the  
24 same as a manager of a personnel department  
would be interested in another aspect of cost?

25 A. I do not know whether you include the  
26 broad concept of the movement of the raw materials into  
27 the plant and the finished goods going right through  
28 from the end of the production line through to the con-  
29 sumer?  
30





1  
2 Q. Yes, I do.

3 A. That is our area.

4 Q. And their responsibility and their place  
5 in the firm is determined by their ability and under--  
6 standing of transportation matters?

7 A. Yes, sir.

8 Q. And your League, I take it, representing  
9 as it does, through its members, firms right across  
10 Canada, has difficulty in establishing policy with  
11 which there is agreement?

12 A. In certain phases.

13 Q. And therefore, when a policy is established  
14 by your League -- and a number of them have been  
15 enunciated here -- it is a working out, a synthesis,  
16 of many views?

17 A. Yes, sir.

18 Q. And in some cases these views are divergent  
19 views?

20 A. Yes, sir.

21 Q. And the work that you have been doing in  
22 the League has been trying to bring together divergent  
23 views, and I take it to explain to people that what  
24 may appear to them to be unfair really has justification  
25 when all the facts are known, on occasion?

26 A. I think our members are realistic  
27 business men and they realize that there are unequal  
28 situations in business, there are unequal situations  
29 in transportation.

30 Q. Would it be correct, in the view of  
experienced traffic men, Mr. Gracey, to say this, that





1  
2 if you are to have a realistic freight rate structure  
3 that will move goods freely of necessity it is going  
4 to have inequalities in it, unequal levels of rates  
5 at different places in different circumstances?

6 A. I would like to include in your remarks  
7 something along the line of service factors as well.  
8 It is not just rates.

9 Q. Very well, then. Let me rephrase it,  
10 to see if this would state it. To have a realistic  
11 freight rate structure, is it the view of your exper-  
12 ienced traffic members that it is necessary to have  
13 unequal rates in the structure and unequal service  
14 factors, that that is a necessary requirement to meet  
15 varying circumstances as they appear in this country?

16 A. I am looking for the section in our brief.  
17 Paragraph 12 says:

18 "In a country the size of Canada there is always the  
19 possibility of certain inequalities in rates."

20 Q. And inequalities, Mr. Gracey, in and of  
21 themselves are not something to be deprecated?

22 MR. FRAWLEY: I want the record to show that  
23 I object to this form of what may be called cross-  
24 examination. I am as aware as anybody else that cross-  
25 examination, under the British system at least,  
26 practically knows no bounds, but there are occasions  
27 when one finds it awfully difficult to listen to, and  
28 as far as I am concerned this is one. My friend  
29 Mr. Sinclair is now stating the Canadian Pacific's  
30 position in long speeches to the witness, and the witness  
is going along with him. I am not going to say any more







1  
2 than that. I want the record to note that I find it  
3 highly objectionable that Mr. Sinclair, representing the  
4 railways, should have another opportunity -- he has had  
5 plenty, and we will certainly have to listen to it  
6 again for a long, long time to come, until long into  
7 the summer -- but to do it under the form of cross-  
8 examination, it is just a little too much to take without  
9 objecting, and I have objected and I want my objection  
10 on the record.

11 THE CHAIRMAN: I think we will hear from both  
12 of you gentlemen, but may I say this, that Mr. Gracey  
13 is not Mr. Sinclair's witness, and consequently he has  
14 the privilege of cross-examining him as he will.

15 MR. FRAWLEY: Oh, yes.

16 THE CHAIRMAN: You have made your objection,  
17 and the cross-examination will go on.

18 MR. SINCLAIR: May I say this for the record,  
19 Mr. Chairman? I suppose that we are going to hear  
20 again and again from Mr. Frawley, and now he even  
21 couples Mr. Mauro with him, that he is bold enough to  
22 think we act for different kinds of people, and so that  
23 the Commission may understand -- and I am sure they  
24 were under no misapprehensions about it -- I was proving  
25 and would so argue from the witness' answers, that if  
26 Mr. Frawley and Mr. Mauro act for different kinds of  
27 people, it would be my contention that Mr. Gracey and  
28 the people he represents act for the right kind of  
29 people.  
30

31 THE CHAIRMAN: And it will be the duty of the  
32 Commission to weigh all evidence and consider the weight  
33





1  
2 that must be attributed to the examination and cross-  
3 examination and so on.

4 MR. FRAWLEY: Let the record be clear that I  
5 represent the government of the province of Alberta and  
6 I represent, through the government of the province of  
7 Alberta, all the people in Alberta, the people who pay  
8 the freight rates.

9 MR. SINCLAIR: Mr. Chairman, once again, so  
10 that the record may be clear, Mr. Frawley does not  
11 represent all the people in Alberta. There are people  
12 in Alberta that he most certainly does not represent.  
13 He represents the government of the province of Alberta,  
14 it is true, but he does not represent all the people of  
15 Alberta.

16 MR. FRAWLEY: I only represent the people of  
17 Alberta for whom the government of Alberta feels that  
18 it has a mandate to speak.

19 THE CHAIRMAN: I think the record is clear  
20 enough. I think that so far as the Commission is  
21 concerned it fully recognizes the place of Mr. Frawley  
22 and also that of Mr. Sinclair.

23 MR. SINCLAIR: That is right, sir. I am  
24 sure they do.

25 Q. Now, Mr. Gracey, in view of your interest  
26 and your responsibility for securing proper transport-  
27 ation for people who must consider costs, would you tell  
28 the Commission what is your view in regard to the  
29 necessity for differential pricing in the freight  
30 rate structure? Would you agree that this is a necessary  
element of a workable freight rate structure?







1  
2 A. I cannot answer that question, sir.

3 Q. Yesterday Mr. Cumming asked you about the  
4 Canadian National-Canadian Pacific Act of 1933, and I  
5 took some figures of the official statistics of the  
6 Canadian Pacific Railway Company. You will recall that  
7 that statute, the Canadian National-Canadian Pacific  
8 Act, was passed following the Duff Royal Commission,  
9 and it was passed, of course, as the date indicates,  
10 in the depth of the great depression. You recall that?

11 A. I know that the act was passed in 1933,  
12 I believe.

13 Q. And you know the situation that was  
14 existing in this country at that time?

15 A. I know the general economic conditions.

16 Q. The figures that I have are these, and  
17 I think they should be before you in the light of the  
18 question I am going to ask. For the Canadian Pacific  
19 system, the revenue ton miles in 1933 were 9,353,118,000.  
20 In 1958 the revenue ton miles for the Canadian Pacific  
21 Railway system were 26,873,034,000. That is a percentage  
22 increase, 1958 over 1933, of 187.3 per cent. Of course,  
23 to have that in proper perspective, you should also  
24 have the miles of track in those two years, and so  
25 I will give them to you. In 1933, the Canadian Pacific  
26 Railway system miles of track as at the year end,  
27 December 31, 1933, 17,017.7; and in 1958, 17,095.8.  
28 That is a percentage increase, 1958 over 1933, of  
29 0.46. Mr. Gracey, from those figures you will see that  
30 there has been an increase in revenue ton miles of  
187 per cent, while the trackage of Canadian Pacific





1  
2 remained relatively constant. In the light of that  
3 background, I will ask you whether as a traffic man  
4 you would agree that Canada has largely grown into  
5 its railways.

6  
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11  
12 (page 9760 follows)  
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30





1 A. Are you asking me, sir, if the railways  
2 came first and Canada followed?

3 Q. No, I am asking you in the light of the  
4 changed situation of traffic requirements in Canada  
5 as demonstrated by the figures that I have given you,  
6 whether you would agree, first, that the situation is  
7 now markedly different than it was in 1933 in regard  
8 to the requirements for railway transportation in Canada.  
9 Your answer to that is --- ?  
10

11 A. I was thinking, sir. You are asking me  
12 if Canada requires railways more now than they did in  
13 1933?

14 Q. That is one way of putting it.

15 A. I think there have been other modes of  
16 competition that may have lessened the amount of traffic  
17 that is available for railways since 1933. I am think-  
18 ing of the highway transportation industry.

19 Q. You mean percentagewise of total traffic  
20 movement?

21 A. I think you are getting a smaller piece  
22 of pie out of the big pie. The pie has grown bigger  
23 but you are getting a smaller portion.

24 Q. Yes, but my question was this: in view of  
25 the piece of the transportation pie, as you have described  
26 it, that the railways are getting and using Canadian  
27 Pacific figures and your general knowledge of trans-  
28 portation, would you agree that Canada has largely grown  
29 into these railways or Canada has grown itself out of  
30 railways?







1 A. I have not considered that before.

2 MR. MAURO: I do not want to interrupt cross-  
3 examination but in fairness to the witness perhaps ---  
4

5 MR. SINCLAIR: May I say this: I have gone  
6 through this for twenty years and they won't bother me  
7 one little bit.

8 MR. MAURO: Why make a speech about not being  
9 bothered? I am not trying to bother you.

10 MR. SINCLAIR: I think it is bothering the  
11 Commission to waste time.

12 MR. FRAWLEY: Twenty or forty years?

13 MR. MAURO: I think it is of assistance to  
14 the witness that he not only have 1933 and then 1958  
15 put to him but that reference should be made to the  
16 figures from 1943 to 1958, which point up very clearly  
17 that there has been very little increase in rail tonnage  
18 from 1943 to 1958. Perhaps in that context Mr. Gracey  
19 would be better able to assist my learned friend in  
20 deciding whether or not the pie is being cut larger  
21 and larger or whether the country is now growing into  
22 its railways.

23 THE CHAIRMAN: Mr. Sinclair, I think Mr.  
24 Gracey has established that he is not your witness; he  
25 is a man of his own views.

26 MR. SINCLAIR: Of course, and that is why I  
27 think it is something that the Commission are glad to  
28 have come before them -- men with the background of Mr.  
29 Gracey and the fact of his responsibility and the  
30 responsibilities of his League members. If he were





1 my witness I would have called him as such and I would  
2 not have cross-examined him.

3 Q. Mr. Gracey, the members of your League  
4 recognize, I take it, that where a particular service is  
5 being provided by railways that is no longer required,  
6 railways should eliminate that service. That is your  
7 paragraph 18.

8 A. Not required by public necessity.

9 Q. Now, Mr. Gracey, as a transportation man  
10 you know that the Board of Transport Commissioners use  
11 the phrase "public necessity" or "public convenience"  
12 and in so doing they are using it in relation to a  
13 segment of the Canadian public, that is the public using  
14 a particular service?

15 A. I did not know it was limited to just  
16 people actually, say, using the services of that type;  
17 I thought it was people who gained ancillary benefits  
18 to this service.

19 Q. Let me give you an example: you have, I am  
20 sure, read the Judgments of the Board of Transport  
21 Commissioners in regard to discontinuance of passenger  
22 train service?

23 A. Yes, sir.

24 Q. And you will recall in these Judgments  
25 the analysis of the Board of Transport Commissioners of  
26 the public service, public interest, that they are turning  
27 their minds to, that is the movement of people in the  
28 area where the passenger train service is being given  
29 and the Board determines whether that public is going to  
30







1 suffer some inconvenience by the elimination of the  
2 service?

3 A. Yes, sir.

4 Q. I take it it was with that in mind, that  
5 kind of a point that you had in mind when you said that  
6 you did not know of a passenger service that was required  
7 in the national interest?

8 A. That is right, sir.

9 Q. Do I take it that "national interest"  
10 means to you something that is essential to the well  
11 being of Canadians as a whole?

12 A. Yes, sir.

13 Q. And in your mind, Mr. Gracey, there would  
14 be a marked distinction between national interest as we  
15 have agreed it be described and a segment interest of  
16 the public?

17 A. I believe we would find it difficult to  
18 differentiate between the national interest and extremely  
19 local interests. There is a mark where one goes into  
20 the other.

21 Q. Where they merge?

22 A. Merges in. But in regard to certain  
23 segments it may be clearly drawn out, it would be  
24 conceivable that it is a local interest.

25 Q. Now, in regard to that, would it be the  
26 position of Mr. Gracey that the Railway Act should,  
27 discussing the people who want to maintain a service  
28 that the railways are asking for authority to discon-  
29 tinue, should have the responsibility and the onus of  
30





1 proving that that service should be continued?

2 A. I think you said "is it the opinion of  
3 Mr. Gracey"?

4 Q. Yes.

5 A. It is not now my opinion, it is the  
6 opinion of the League that I speak for today.

7 Q. Yes?

8 A. We believe that under the present arrange-  
9 ments that the railways have to deal with this discon-  
10 tinuance of services, the present arrangement is  
11 satisfactory. We do not recommend any change in the  
12 procedures.

13 Q. You do not recommend any changes in the  
14 procedures?

15 A. No, sir.

16 Q. Do you not think it would assist the  
17 railways and the people who are interested in these  
18 things if the responsibility of the people opposing  
19 discontinuance was delineated, set out in the Railway  
20 Act?

21 A. We feel the present procedure is adequate  
22 and we charge the railway management if they feel  
23 convinced of this they should work strongly towards that  
24 end.

25 Q. Well, we will work strongly towards that  
26 end and make submissions to this Commission for certain  
27 changes in legislation. Now, Mr. Gracey, as traffic  
28 managers, members of your League, I take it, distinguish  
29 between rate differences and competitive rate  
30





1 relationships?

2 A. Mr. Sinclair, I am not a traffic man,  
3 I am the general secretary of the Traffic League --  
4 could you ask me the question again?

5 Q. Let me put it precisely then: the members  
6 of your League, traffic managers, distinguish between  
7 rate differences and competitive rate relationships,  
8 do they not?

9 A. I imagine they would in the course of  
10 their work.

11 Q. And it is because of this difference be-  
12 tween the rate differences and competitive rate relation-  
13 ships that experienced traffic man find no difficulty  
14 in understanding?

15 A. That is one of the areas in which they  
16 are trained to work.

17 Q. And having been trained to work in that  
18 area they have no difficulty in understanding the  
19 different levels of rate?

20 MR. FRAWLEY: I do not see how the witness  
21 can speak for the minds of the traffic managers all  
22 over Canada who are members of his League.

23 THE CHAIRMAN: He has just said he is the  
24 secretary.

25 MR. SINCLAIR: I think he said he is express-  
26 ing the views of the League.

27 THE CHAIRMAN: And he said "I imagine". I  
28 think those were his words.

29 THE WITNESS: Yes.  
30







1 MR. SINCLAIR: Q. Do you know, Mr. Gracey,  
2 from these discussions that you have in your organization  
3 and the training that you give traffic men through your  
4 courses, whether in point of fact they do recognize this  
5 difference?

6 MR. FRAWLEY: How could he do that? We are  
7 surely not going to have hearsay evidence two or three  
8 times removed. This is not a court of law in some  
9 senses of the words, but I respectfully suggest and  
10 submit to the Commission that this would be hearsay  
11 evidence and of no value at all.

12 THE CHAIRMAN: Well, can Mr. Gracey answer  
13 that?

14 THE WITNESS: The best answer, I think, is  
15 contained in the item I read of a man who has met  
16 these different relationships and in a time of increasing  
17 transportation costs has effected a net saving for his  
18 company. I do not know how he has done it, but he has  
19 mentioned certain techniques that he has used.

20 MR. SINCLAIR: Q. Yesterday you were asked  
21 certain questions about the joint through rates: has it been  
22 the experience of your League that joint through rates  
23 were made available where there was a necessity for  
24 that action to be taken to move traffic freely?

25 A. We had one case just recently where we  
26 made application for joint through rates and we were  
27 granted them.

28 Q. Do you find in your League that there is  
29 a feeling that the railways do not grant joint through  
30





1 rates where they are required? Has that ever been  
2 discussed in your League?

3 A. I am only considering this one case.  
4 Within the last two years where we have felt it was in  
5 the public interest to have joint through rates we  
6 approached the railways and after negotiations we obtained  
7 the joint through rates where they did not exist before,  
8 and it has taken us a great deal of time to effect  
9 this mutual understanding.  
10

11 COMMISSIONER MANN: So that Commissioner  
12 Anscomb, who, unfortunately, is not with us today, will  
13 know when he reads the record, this is in conjunction,  
14 as I recall it, with the P.G.E., is it not?

15 MR. SINCLAIR: Q. Well, a scale of joint  
16 class rates was negotiated with P.G.E.; is that what you  
17 had in mind?

18 A. This is the Canadian Freight Association  
19 tariff No. 4G, Supplement 36, a full line of class rates  
20 between stations in eastern Canada and stations on the  
21 P.G.E. Railway Company. This was sought by the members  
22 of the League and it was arranged for.

23 MR. FRAWLEY: What application in western  
24 Canada would that have, if any?

25 THE WITNESS: It does not have application at  
26 the present time, but I understand it is being considered  
27 at the present time in western Canada and that when these  
28 representations are going to be made to the railways I  
29 understand that the League will intervene on their behalf.

30 MR. FRAWLEY: Would you know whether these







1  
2 were a single factor joint through rate or a combination  
3 of locals?

4 THE WITNESS: Unfortunately I cannot answer  
5 that question.

6 MR. SINCLAIR: Q. The Tariff is there and  
7 can be looked at by Mr. Frawley and there are people  
8 here who can instruct him if he does not know.

9 Mr. Gracey, Mr. Mauro asked you about co-  
10 ordinated services. Would a traffic manager indicate  
11 the routing on traffic?

12 A. He indicates routing on traffic.

13 Q. And have the members of your League  
14 discussed the integrated merchandise handling that has  
15 been in effect in the Canadian Pacific on the west  
16 coast that was mentioned before? This came in earlier  
17 evidence.

18 -

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1  
2 A. I would imagine that they have discussed  
3 it locally.

4 Q. Yes, and is your League in favour of  
5 that type of co-ordinated service where one pickup  
6 truck carries all goods and it is all handled through  
7 one organization?

8 A. Yes, sir.

9 Q. The members of your League have found  
10 that piggyback has been of an advantage in the handling  
11 of their traffic?

12 A. I believe I mentioned yesterday that  
13 we do not know whether the goods move by piggyback or  
14 not because they are not, at the present time, in  
15 privately owned vans.

16 Q. Well, in paragraph 22 you say piggyback  
17 is a graphic illustration of co-ordination?

18 A. Yes, it is a graphic illustration of  
19 co-ordination, but we do not know just how the goods  
20 move.

21 COMMISSIONER MANN: Just so that the record  
22 may be clear, that only applies when the piggyback  
23 movement is by for-hire carriers, but your members  
24 do know if it goes by piggyback if it is by railway-  
25 owned equipment?

26 THE WITNESS: Yes, that is right.

27 MR. SINCLAIR: Q. Well, my next question  
28 is -- and it has been anticipated by Mr. Mann --  
29 are the members of your League in favour of the extension  
30 of rail piggyback --- that is, railway-owned equipment  
moving in piggyback service to meet these what you





1  
2 called service and rate factors of private carriers?

3 A. This is something that will have to be  
4 developed between the truck lines and steamship lines  
5 and railways. We have no jurisdiction as to what you  
6 are going to do.

7 Q. I am talking about this use of railway-  
8 owned equipment which would operate the piggyback ser-  
9 vice and would move out to the loading platform of  
10 an industry and would be delivered by railway equipment  
11 after it reached its destination. My question was,  
12 do you not see in that type of service a means of  
13 meeting the requirements of industry which are now  
14 being served by private carriage, to which you referred  
15 in paragraph 7?

16 A. Well, I would say that piggyback has  
17 extended, and no doubt some of the goods that are  
18 carried in piggyback, in railway-owned vans, are shipped  
19 by member companies of the League, and this appears to  
20 be an ever-increasing quantity.

21 Q. And one that is meeting a requirement?

22 A. Apparently it is.

23 Q. There was some amazement expressed by  
24 certain counsel who have certain briefs, concerning this  
25 private carriage, and it was your view, as expressed  
26 to this Commission, that you were not trying to suggest  
27 that businesses should not be allowed to move their own  
28 goods in their own equipment whether it be a private  
29 truck or if they build their own pipeline or by their  
30 own ship or fly their own airplane?

A. Exactly.







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THE CHAIRMAN: Or build their own railway.

MR. SINCLAIR: Q. Yes, as some of them have done?

A. Yes.

Q. But what you were concerned with particularly, I take it, in paragraph 7, and what you had in mind here -- and if this is not correct, would you please so indicate to the Commission -- was that, as traffic men, the League was interested in getting the most economical type of transportation possible?

A. Yes, sir.

Q. And it is the for-hire industry which has shown that, by and large, you get the highest degree of utilization of transportation equipment; is that your view?

A. When a man is considering entering private transportation he does not consider the utilization of the for-hire carriers, I do not believe.

Q. You have misunderstood me, and it is my fault. My question to you was this, that it is in the for-hire carrier industry where the highest degree of utilization of transportation equipment takes place; is that your view?

A. I know of certain private transportation that has a higher utilization of equipment than your firm has, sir.

Q. But if it is not a question of utilization

--

A. No, sir.

Q. Well, what is the view, then -- that for-hire





1  
2 carriage should attempt to meet requirements now being  
3 met by private carriers?

4 A. I have here, Mr. Sinclair, a copy of the  
5 DBS bulletin that came out on March 14, which gives the  
6 advance figures for the motor transport traffic estimate,  
7 1958; and I have compared them with the 1957 figures,  
8 and it shows that there has been an increase of over  
9 8 million tons between 1957 and 1958 of the total goods  
10 carried. Now, I don't know whether the pie has grown  
11 that much bigger, or whether this amount of traffic is  
12 moving by for-hire trucks, inter-city trucks, private  
13 inter-city trucks, private urban and farm, etc., but  
14 this tremendous surge -- 8 million tons of goods,  
15 according to DBS figures -- has suddenly appeared, or  
16 has increased in the past year. In paragraph 7 we are  
17 stating this type of erosion is seriously affecting the  
18 for-hire carrier industry, and when this 8 million tons  
19 has gone into truck transportation, your competition  
20 struggle is becoming that much more intense. We suggest  
21 that you -- the for-hire carriers, and I am not speaking  
22 of the railways alone, but the airlines, pipelines,  
23 boats, trucks -- if they want to get a portion of this  
24 business, you must develop service standards and a rate  
25 structure that will develop transportation.

26 COMMISSIONER MANN: What you are saying is  
27 that this increase of 8 million tons could very well  
28 have all gone to the for-hire trucking industries without  
29 even one ton going to the private carrier?

30 THE WITNESS: It could have gone to the for-  
hire carriers.







1  
2 COMMISSIONER MANN: You are not trying to  
3 tell us that this demonstrates an increase of the  
4 private carriers' segment?

5 THE WITNESS: Actually, the private carriers'  
6 segment has gone down in this period. It is the for-  
7 hire trucker that has gone up 14 million tons.

8 MR. SINCLAIR: Q. This includes urban  
9 cartage, doesn't it?

10 A. But urban cartage is not a very large  
11 factor in that total. It might be one-third.

12 Q. Well, 142 on 451 is a pretty large pro-  
13 portion?

14 A. It is.

15 Q. Would you not agree it is one-third?

16 A. Yes, it is one-third.

17 Q. Urban cartage is one-third.

18 ---Luncheon adjournment.  
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1 ---On resuming at 2.00 p.m.

2  
3 THE CHAIRMAN: Order, please, gentlemen.  
4 Mr. Sinclair?

5 MR. SINCLAIR: Q. Mr. Gracey, just before  
6 the noon adjournment you were referring to certain  
7 motor vehicle statistics as put out by the Dominion  
8 Bureau of Statistics?

9 A. Yes, sir.

10 Q. And you agree that it is generally recog-  
11 nized that the sampling in these statistics leaves  
12 quite a bit to be desired, but it is the best that is  
13 available?

14 A. We feel there may be imperfections in  
15 this, but we feel there is no better source for this  
16 material.

17 Q. And you mentioned that these statistics  
18 showed an increase of tons originated of eight million,  
19 I think it was, 1957 versus 1958?

20 A. Yes, I think it was.

21 Q. And in that figure would be included the  
22 piggyback tonnage moving on the railways?

23 A. This DBS report states that it is for  
24 the for-hire carriers, and I do not know whether the  
25 for-hire carriers report their piggyback mileage in  
26 their report to be included in the DBS figures.

27 Q. When they show for-hire ton figures  
28 originated they would include all tons originated  
29 irrespective of how they moved, would they not?  
30





1 A. I do not know, sir.

2 Q. If that were a fact -- and the Commission  
3 can, I am sure, determine whether that is so from checks  
4 with DBS -- that would not necessarily show the tonnage  
5 originated moving exclusive of rail?

6 A. No, sir.

7 Q. Mr. Gracey, in a number of instances  
8 yesterday, and I will not repeat them, Mr. Cumming  
9 raised certain points with you, and your answers were  
10 that that was a matter that should be left with the  
11 railways rather than by having any statutory requirements  
12 or it becoming a matter for the Board of Transport  
13 Commissioners. Based on the experience of your League  
14 and its members, has it been generally correct that when  
15 you had problems on transportation and raised them with  
16 the railways you were able to come to a satisfactory  
17 arrangement with them and to meet the problems?

18 A. Yes, we have had most satisfactory results  
19 with the railways in recent years, and I believe that the  
20 railways should be pleased with the results also.

21 Q. Yes. You say that it is a matter of  
22 mutual satisfactory disposition of problems of the rail-  
23 ways and the people who are using the railway service ---

24 THE CHAIRMAN: Have there been improvements  
25 in that regard?

26 THE WITNESS: Yes.

27 MR. SINCLAIR: Q. Have you any specific  
28 examples in recent times when there was a difficult  
29 matter -- I don't want numerous small matters -- one of a  
30







1 substantial size that was disposed of through the League  
2 and the railways?

3 A. Yes. I made a notation of some of these  
4 things, anticipating questions of this nature.

5 Q. Would you give the Commission one or two  
6 of the larger ones?

7 A. Since 1953, Mr. Chairman, we have had  
8 remarkable success dealing with the railways on freight  
9 moving in mixed carloads between points in Canada. I  
10 refer to CFA Tariff No. 78, CFA Tariff No. 82, No. 81,  
11 in that respect.

12 A few years ago, not many years ago, our  
13 membership decided that certain changes had taken place  
14 in the shipping practices in Canada regarding pallets,  
15 platforms and skids, that goods were being shipped on  
16 these articles. We approached the railways requesting  
17 free transport of pallets, platforms and skids between  
18 points in Canada. We pointed out to the railways to  
19 the best of our ability that this method of handling --  
20 as you can imagine, sir, lifting a whole pallet you  
21 can load the car very quickly and unload it very quickly  
22 -- we said this was to the railways' advantage as much  
23 as it was to the industry, and we requested free trans-  
24 port for pallets, platforms and skids.

25 I believe that within six months after our  
26 initial representations Tariff CFA No. 60 was published,  
27 to become effective September 10th, 1957.

28 I mentioned earlier today that we took action  
29 regarding the full line of class rates between stations  
30





1 in eastern Canada and stations on the Pacific Great  
2 Eastern Railway Company. This came about because  
3 there were certain connections between points on the  
4 Pacific Great Eastern Railway where service was then  
5 available which was not available prior to that time.  
6 We had a number of our members shipping goods on to  
7 stations in that line, and they felt that we should go  
8 after the railways and see if they wouldn't put in this  
9 full line of class rates. We are pleased to state  
10 that, effective September 30th, they issued Supplement  
11 No. 36, CFA Tariff 4G.

12  
13 I think one of the finest examples of coopera-  
14 tion was a submission that the League made, I believe in  
15 1952, to the Board of Transport Commissioners for Canada  
16 stating that we wished a revision of the Canadian car  
17 demurrage rules. These rules had not been revised for  
18 a number of years, and it was quite a contentious problem.

19 Q. Demurrage was a contentious problem?

20 A. At that time.

21 Q. In respect of certain movements only.

22 But the full record of that specific demurrage problem,  
23 that is the problem of demurrage on grain in western  
24 Canada, is now before the Commission in this way, that I  
25 have undertaken to file it.

26 A. I am not speaking in that respect, sir.

27 Q. No, exclusive of that.

28 THE CHAIRMAN: We don't want that.

29 THE WITNESS: We were directed by the Board of  
30 Transport Commissioners to talk over with the railways and







1 try and resolve our differences. This was in 1952.  
2 Due to certain changes in personnel, both in our  
3 organization and the railway organization, we did not  
4 get around to this until about two years ago. The  
5 League was leading the way, having been an applicant in  
6 this case, and we had a number of interveners on our  
7 behalf, other associations. But the League broke this  
8 down to ten major unresolved items; these were items  
9 that could not be resolved by the railways and the League  
10 together, we came to an impasse, and we decided to hold  
11 an open meeting, and we held a two-day open meeting in  
12 Toronto.  
13

14 Q. Who was chairman?

15 A. Mr. George Paul was chairman, and with  
16 respect to members of counsel, there were no members of  
17 counsel present.

18 COMMISSIONER MANN: You say there were no  
19 legal counsel present?

20 THE WITNESS: I don't believe there was legal  
21 counsel.

22 COMMISSIONER MANN: How long was the meeting?

23 THE WITNESS: For two days.

24 MR. SINCLAIR: Q. For ten items?

25 A. For ten items. Might I add, sir, that  
26 there were more than fourteen associations there; I  
27 would say there must have been fifty people in the room.  
28 For two days I acted as secretary for this meeting, and  
29 there was not one word of recrimination, there was not  
30 one hostile word said, it was a most harmonious affair,





1  
2 and at the end of the two days we had resolved eight of  
3 the ten problems.

4 Q. Yes. And what happened to the other two?

5 A. The other two -- the railways and the  
6 League decided they had to return to their own organiza-  
7 tions for further direction. We set a meeting one  
8 month later, which was held in Montreal.

9 Q. And were they disposed of at that time?

10 A. This was a day-long meeting. Again there  
11 was a smaller crowd in attendance, and one of the major  
12 matters was resolved at that time, and this left the rate  
13 of demurrage the open item.

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2 It was left open once again for one month, and I am  
3 sure you know the results, Mr. Sinclair, that the  
4 shippers agreed to increase the rate of demurrage to the  
5 railways at that time.

6 Q. And in the result -- would this summarize  
7 it -- that this entire matter of demurrage, including  
8 the conditions, free time and rates and other terms  
9 and conditions as to the days that were to be counted  
10 --- matters of that kind were discussed by the members  
11 of the League and the railways and satisfactorily  
12 resolved without the intervention of any regulatory  
13 tribunal?

14 A. So satisfactorily, sir, that this demurrage  
15 tariff, C.T.C. No. 6, was presented to the Board of  
16 Transport Commissioners, I believe, about the first of  
17 December last year to become effective on January 1,  
18 1960. It went in without objection, and to the best  
19 of my knowledge there has been no objection since.

20 Q. Thank you, Mr. Gracey. I think that is a  
21 matter that the Commission is interested in. There are  
22 two points I think I have to deal with. As people  
23 dealing with traffic matters, your league is of course  
24 interested in being able to determine the charges for  
25 public transport, is that correct?

26 A. Our members are interested in the charges  
27 for public transport.

28 Q. And they are interested in maintenance  
29 of reasonable charges on all segments of freight move-  
30 ments, is that correct?

A. We state in section 5, in paragraph 8:







1  
2 "It is therefore necessary to maintain our trans-  
3 portation system in the healthiest condition  
4 possible. Canada cannot afford to have its for-  
5 hire carriers experience serious economic trouble."

6 Q. Specifically as to the railways, it  
7 would be the position of your League, would it, that  
8 financially sound railways are essential to the economic  
9 well-being of Canada?

10 A. Yes, sir.

11 Q. If the rates being charged one shipper are  
12 different from rates being charged another shipper  
13 competing in a common market and both being equidistant  
14 from that market, that would cause difficulty, you would  
15 agree?

16 A. I believe it has caused difficulty.

17 Q. And that would apply no matter what mode  
18 of transport was being used to move the goods?

19 A. Exactly. Those are what we call unequal  
20 rates.

21 Q. And any action or recommendation this  
22 Commission could make that would assist in preventing  
23 that taking place would have the support of your League,  
24 is that correct?

25 A. We would like to be able to maintain our  
26 position of negotiation with the various carrier  
27 agencies to correct these inequalities ourselves.

28 Q. And failing that you would like to have  
29 a place where you could have it finally disposed of,  
30 to clean the matter up and bring the matter to a final  
determination?





1  
2 A. We feel we have the Board of Transport  
3 Commissioners at the present time regarding rail rates.

4 Q. What about non-rail? Let us take truck  
5 rates. What about that?

6 A. We are satisfied with the methods now  
7 being employed.

8 Q. How do you prevent unjust discrimination  
9 on truck rates in Ontario, for example?

10 A. I do not know if there is an unjust or  
11 discriminating rate in Ontario.

12 Q. Let me give you an example of a trucking  
13 firm that serves two shippers, both equidistant from a  
14 common market, and they charge one rate to one shipper  
15 and a different rate to the other shipper. That is  
16 the classical description of unjust discrimination,  
17 isn't it?

18 A. No, that is unequal rates.

19 Q. So that, shipping the same goods the same  
20 distance to a common market by the same carrier --

21 A. It could be unequal rates.

22 Q. Without any competition? I have put it  
23 on the basis --

24 THE CHAIRMAN: On the same rates.

25 MR. MAURO: Like Winnipeg to Vancouver and  
26 Toronto to Vancouver.

27 MR. SINCLAIR: My friend Mr. Mauro wants  
28 to have an opportunity of asking more questions  
29 apparently.

30 MR. FRAWLEY: I am going to ask the Commission  
for the privilege of asking a few questions after you







1  
2 have finished, Mr. Sinclair.

3 MR. SINCLAIR: I hope you will wait till I  
4 have finished.

5 MR. FRAWLEY: Yes.

6 MR. SINCLAIR: Q. Mr. Gracey, I will restate  
7 this so that there will be no misunderstanding between  
8 us. We have a truck movement in Ontario. There are two  
9 shippers. There are no competitive factors involved.  
10 They are both equidistant from a common market, and the  
11 truck company charges one shipper one rate and the other  
12 shipper a different rate for exactly the same service.

13 A. Mr. Sinclair, as I mentioned before, I  
14 am the national secretary and I cannot speak for Ontario  
15 movements. If such a situation exists, apparently  
16 it exists with the wishes of my members in Ontario that  
17 favour the present arrangements.

18 Q. If there is unjust discrimination as it is  
19 said, in the Railway Act, would your members be prepared  
20 to allow the railways to have the same freedom?

21 A. We are not asking for any change in  
22 the regulations, in the Railway Act.

23 Q. I recognize that but I am asking you a  
24 question that is a little different from that. You are  
25 not asking any. Would you object to a change in the  
26 Railway Act that would enable the railways to have that  
27 same privilege as the trucks now have?

28 A. Unfortunately, I cannot answer that  
29 question.

30 Q. Now there is one matter, Mr. Gracey, that  
in your evidence I found a little difficult to follow.





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I understand -- and you correct me if I am wrong -- that you have members from coast to coast.

A. Yes, sir.

Q. In various industrial firms?

A. Yes, sir.

Q. And you said you had divisional groups?

A. Yes.

Q. Across Canada except in the maritimes?

A. Yes, sir.

Q. Would it be correct for me to take the meaning of that to be that they have so many transportation advantages in the maritime provinces that it is not necessary for the shippers there to form a division and to be actively engaged in dealing with transportation problems? Would that be a correct assumption?

A. No, sir.

Q. What is the reason?

A. I do not know the reason, sir. I would like to know the reason because for a number of years we have been trying to establish a division in the maritime provinces. I might add that in August, 1949, when we last appeared before a Royal Commission on Transportation, we had but six members in the maritime provinces. This membership remained the same for a number of years. It may be coincident with the fact that my predecessor moved to the maritimes in 1955, but since that time our membership has now grown to nineteen, which by numbers is not a very great number, Mr. Sinclair, but percentagewise it is considerable, and we are heartened by this increase.





1  
2 Q. Would that represent the major shippers  
3 by tonnage?

4 A. I do not know whether they would be major  
5 shippers. They are substantial firms.

6 Q. I am quite sure that the Commission, if  
7 interested in that, have sources that they can get the  
8 information from. Now, Mr. Gracey, would the fact that  
9 you have such an organization in all other parts of  
10 Canada and are able to accomplish the many things that  
11 you have done -- would that have not been as great in  
12 the maritimes, in your view, because of the fact that  
13 governments in the maritimes for many years have been  
14 rather active in advancing regional transportation  
15 demands?

16 MR. FRAWLEY: No more active than some other  
17 provinces.

18 MR. SINCLAIR: Q. That is not your answer,  
19 I know that, Mr. Gracey.

20 A. It sounds quite suitable, but, no. I  
21 made a trip to the maritimes two years ago. I have  
22 been directed to go there again this year, because we  
23 are finding a greater interest in what the League might  
24 be able to do for these shippers and receivers in the  
25 maritimes. Our directors are heartened by this increase  
26 in membership. It may not sound a great number, from  
27 six to nineteen, but it is over three hundred per cent,  
28 and we are very heartened by this. We feel that more  
29 people in the maritimes may find that the League offers  
30 something to them.

Q. By that you mean that these shippers with







1  
2 problems, by using the League and the information the  
3 League is able to disseminate, are able, in co-operation  
4 with the other shippers throughout the country, to  
5 resolve these problems, information which might not  
6 be available if your organization did not exist?

7 A. Yes, sir, and one of the most significant  
8 ways that any group of members can aid themselves is  
9 by having joint meetings, sitting down at dinner meetings  
10 or discussions and discussing common problems. When  
11 they do that and deal with it on the provincial level  
12 or even their district level, this generates thinking  
13 and a type of action that helps them in their negotia-  
14 tions with all forms of carrier.

15 Q. In certain places in Canada there are  
16 certain provincial groups, government groups, who are  
17 set up to provide some information about transportation.  
18 For instance, I think there is such an organization  
19 in Alberta, for example, and Saskatchewan and in Manitoba.  
20 Are these people members of your League, and can they  
21 get the advantage of the information you have?

22 A. According to our membership by-laws that  
23 were in effect, some of them are members, but it may be  
24 that if any of them come forward at the present time  
25 they may not be accepted for membership. It depends  
26 on the interpretation of the by-laws.

27 Q. I see. For instance, if the representative  
28 of the province of Alberta applied for membership, you  
29 would have to look at it to see whether he would  
30 qualify?

A. I could not give you a ruling today on





1  
2 his eligibility.

3 Q. One final point, Mr. Gracey. In dealing  
4 with transportation matters, I take it that it is the  
5 position of the League that pricing of transportation  
6 should be used to maximize the volume and the movement  
7 of traffic?

8 A. No, sir.

9 Q. What should be the basis?

10 A. Service standards and rate structure.

11 Q. Coupled with service, it would be your  
12 view that each transportation medium should price its  
13 services so that along with the service factors they  
14 can secure the maximum amount of utilization of their  
15 facilities?

16 A. Yes, sir.

17 Q. Thank you. Before I sit down, Mr. Chair-  
18 man, I should say to Mr. Gracey on behalf of Canadian  
19 Pacific, who had the advantage of dealing with the  
20 Canadian Industrial Traffic League for numerous years,  
21 that we appreciate how difficult it is to come before  
22 a Commission such as this and speak on matters and  
23 speak for the League, with the very, very large interests  
24 that they represent and stretching as they are across the  
25 country, and I think that the League is to be compli-  
26 mented for the great amount of work they have done here  
27 and the thought that has been given to it, and also I  
28 would like to thank Mr. Gracey for undertaking the  
29 difficult job of trying to answer questions lots of  
30 times beyond the range of his instructions and beyond  
the range of the policy decisions of his League.







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A. Thank you, sir.

THE CHAIRMAN: Mr. Sinclair, there is one point you did not touch on that strikes me -- the emphasis you put in the submission on market research, Mr. Gracey. You feel the railways are falling down on that?

THE WITNESS: Yes, sir.

THE CHAIRMAN: Will you say what you wish to say in that regard, and Mr. Sinclair might want to ask some questions on that?

(Page 9798 follows)





1 THE WITNESS: Actually it is contained in  
2 our brief.

3 THE CHAIRMAN: That is what I say, you put  
4 emphasis on this.

5 THE WITNESS: There are many pages -- there  
6 are five pages, I believe, and outside of Mr. Cumming I  
7 have not been questioned about any of these features.

8 MR. SINCLAIR: Very well, then, I understand  
9 the Commission would like this developed a little further.

10 THE CHAIRMAN: Where are the railways falling  
11 down?

12 THE WITNESS: On two points, market research  
13 and selling.

14 MR. SINCLAIR: Q. Let us deal with No. 1  
15 first, that is market research. You know that Canadian  
16 Pacific as well as Canadian National have recently  
17 established market research sections in their traffic  
18 departments?

19 A. Mr. Sinclair, I know that personally.  
20 I was sent notice, or the League was sent a notice of  
21 an appointment of one gentleman to that title, but that  
22 is the extent of my knowledge of what is happening in  
23 your railroad.

24 Q. In this regard what you have in mind is  
25 that the railways would be able to deal with traffic  
26 managers or plant managers and discuss with them their  
27 markets and the cost factors of transportation in  
28 reaching those markets?

29 A. You have been doing that for many years.





1 Q. That is one thing you have been doing.  
2 Now that is one part of market analysis?  
3

4 A. But you have not done enough of it.

5 Q. Let me go one step further: what this  
6 would result in is a study, an analysis which would set  
7 the maximum economic limits on plant location in rural  
8 markets; is that what you have in mind?

9 A. No.

10 Q. What kind of market research did you have  
11 in mind?

12 A. I could mention, if I might, the evidence I  
13 heard yesterday morning where a producer had a problem  
14 to move cherries, I believe, and he had this problem  
15 and had to move them in a hurry. He stated if he dealt  
16 with the railways, if my hearing was correct, that it  
17 would take some time, whereas with another competitive  
18 mode of transportation the man came to his office, sat  
19 down at his desk and worked it out and the cherries  
20 could move.

21 Q. I am sure you heard that evidence, and just  
22 let me recall something to you about that evidence: what  
23 he said was they wanted to get an agreed charge rate  
24 extended to this specific movement?

25 A. Yes, sir.

26 Q. And did you also hear him say that that  
27 agreed charge rate that he wanted extended was for frozen  
28 foods? These were frozen cherries.

29 A. I was not aware of just what the agreed  
30 charge covered but I imagine it would be a similar product.







1 Q. And for him to have an agreed charge  
2 to be made a party to an existing agreed charge he  
3 would have had to comply with the conditions that the  
4 signatory agreed to?

5 A. That is right.

6 Q. And this might not have been possible  
7 for him to do?

8 A. It is conceivable.

9 Q. And so that alone is not market research,  
10 it is just straight bargaining, is it not?

11 A. That is mere bargaining, but what he should  
12 have had if carriers go to him and try to investigate  
13 all the possibilities of moving his produce to these  
14 markets, so that when a situation came along then it is  
15 already provided for.

16 Q. What you are suggesting is the railway  
17 setup research organization to determine whether people  
18 can ship cherries; is that right?

19 A. You make it sound so massive when you say  
20 "research organization".

21 Q. I am just asking questions, trying to  
22 explore this so the Commission can understand what you  
23 have in mind when you say they should do marketing re-  
24 search. I am trying to find out what you mean by  
25 marketing research, because that is a word that may mean  
26 many things to many people.

27 THE CHAIRMAN: Using their present staff?

28 THE WITNESS: Yes, and maybe augmenting them  
29 by going out to the customers and asking what the customers'  
30





1 needs and desires are and then providing, if he can,  
2 facilities to meet those desires at a profit to yourself.

3 MR. SINCLAIR: Q. What you are saying is  
4 that the shipper, knowing his product and knowing the  
5 demands in various parts of the company, has the problem  
6 of moving that product?

7 A. Yes, sir.

8 Q. And it is the problem of moving that pro-  
9 duct under certain schedules, under certain conditions,  
10 under certain equipment and at certain rates that is  
11 required to be discussed?

12 A. That is right, sir.

13 Q. That is what you mean by marketing re-  
14 search?

15 A. And I state in paragraph 28 the require-  
16 ments of today's customers. I list those requirements  
17 as part of the market research.

18 Q. Those are the requirements of a door to  
19 door pickup and delivery?

20 A. Yes, sir.

21 Q. The railways could accomplish that by  
22 pickup and delivery trucks or by use of piggyback  
23 service either with use of common carrier piggyback or  
24 by rail-owned equipment?

25 A. Or they could use them by intermode  
26 with trucking companies that are not part of the railway  
27 organization.

28 Q. That is what I am saying, there are  
29 three or four ways they could do it?  
30







1  
2 A. Many ways they could do it, the area is  
3 a large one to investigate.

4 Q. What members of your League would like  
5 to see, I take it, is the reliability of rail transport  
6 and the flexibility of truck transport joined to the  
7 advantage of the shippers and receivers of merchandise?

8 A. Yes, sir. Another thing, too, that our  
9 organization in connection with both railways we provide  
10 these freight schedules. You deliver them to us and  
11 we distribute them to our members as a service to the  
12 railways. Our members are not always satisfied with  
13 these schedules of the trains. They say, "We want  
14 schedules showing the movement of cars. It is all very  
15 well to say the train moves between Toronto and Winnipeg  
16 but what about the car, does the car move from Toronto  
17 to Winnipeg?"

18 Q. These are matters that you feel by the  
19 use of your League and the discussions you have with  
20 the railways further progress can be made in making  
21 suggestions to improve shipping and receiving demands?

22 A. Yes, sir.

23 Q. You know that the railways have general  
24 time table meetings twice a year in which specific  
25 problems of scheduling and requirements of industry  
26 are discussed; did you know that?

27 A. I have never known of that, I have never  
28 been invited to such a meeting, to my knowledge.

29 Q. But the views you might express to the  
30 traffic organization would be advanced at these meetings





1 by the traffic organization to the departments; do you  
2 know that?

3 A. No.

4 Q. Now, there was some gentlemen in these  
5 hearings who was unkind enough to say in the presence  
6 of Mr. Macdougall, Mr. McDonald and myself that the  
7 railways paid claims too easily. That was a bit of  
8 shock to us, and I just wondered if you feel that the  
9 railways pay their claims too easily? Has that been  
10 your experience?

11 MR. FRAWLEY: Freight claims or personal  
12 claims?

13 MR. SINCLAIR: We will find out if they pay  
14 personal claims too easily.

15 MR. CUMMING: That is how they get built up.

16 MR. SINCLAIR: I think it should be on the  
17 record that ever since an unfortunate . . .

18 MR. FRAWLEY: Everything else is on the record.

19 MR. SINCLAIR: . . . an unfortunate situation  
20 that existed on a train, there was one learned counsel  
21 who I am quite sure has not been his old self since.

22 MR. CUMMING: A personality change.

23 MR. SINCLAIR: A personality change has taken  
24 place and it is difficult to measure what the damages  
25 are.

26 MR. FRAWLEY: I am feeling my young self.

27 MR. SINCLAIR: That is a personality change.

28 Q. Now, getting back to freight claims,  
29 you deal with the prevention of loss and damage claims:  
30







1 has it been your view that the railway organizations have  
2 dealt with the settlement of claims that do arise on a  
3 proper and businesslike basis or have you suggestions  
4 to make?

5  
6 A. At this same meeting you are mentioning,  
7 discussion took place that in some areas of Canada it  
8 is extremely well handled. In other areas of Canada  
9 it is not quite so well handled. The procedure there  
10 apparently needs the attention of railway management  
11 to make surveys in the areas where it is at the present  
12 time unsatisfactory.

13 Q. Now, the prevention of loss and damage  
14 claims is a highly technical situation and you mentioned  
15 here earlier some of the things that the railways had  
16 done -- recorders, impact recorders?

17 A. Yes.

18 Q. Special types of equipment and matters of  
19 that kind. What you are suggesting is that here again  
20 improvement could take place?

21 A. We have had it stated at this meeting  
22 that they have not seen a man from the railways to try  
23 to avoid loss and damage claims. He has not been  
24 around calling on these people.

25 Q. Do you know that the Canadian Pacific  
26 organization within the last three or four years set up  
27 a special department to deal with loss and damage claims?  
28 Did you also know that of all of the North American  
29 railroads that the Canadian Pacific record on claims to  
30 total value of goods transported is either the lowest or







1 second lowest?

2  
3 A. I am pleased to hear that, and I hope you  
4 are not satisfied to remain at that level.

5 Q. If we are the second lowest we want to be  
6 lowest and then cut that in half?

7 A. Yes, sir -- continue.

8 Q. And, of course, Canadian railways have  
9 business in handling commodities that are certainly prone  
10 to claims, prone to loss. For instance, grain -- grain  
11 is a difficult commodity to handle because it requires  
12 extremely tight cars. You recognize that, do you not?

13 A. I worked, prior to the League, with a firm  
14 that was interested in this line of business and I was  
15 not aware of a great many claims. It may have been the  
16 cars were in excellent condition.

17 Q. Thank you, Mr. Gracey. Now, in regard  
18 to paragraph 29, to continue this part of your brief,  
19 here is an analysis, I take it, of market share, and what  
20 you are suggesting here is that the railways by discus-  
21 sions with individual shippers would be able to determine  
22 that with some precision the market share?

23 A. Yes, sir.

24 Q. And also, then, in view of market share  
25 and type of movement, to evolve rate and service situa-  
26 tions that would possibly increase the railways' share  
27 to the advantage of the shippers and the railways alike?

28 A. I think I followed that by stating that  
29 in different words in paragraph 30:

30 "After the customers' needs and desires





1 have been identified the market department  
2 should endeavour to provide a better service  
3 to meet these wants. The market department  
4 should take the lead in determining what each  
5 function of the railway business should do  
6 by way of product and service to satisfy these  
7 needs and desires."

8  
9 Q. Now, Mr. Gracey, I am sure you will admit  
10 this cannot be a one-way street. What is required is  
11 continuing cooperation between shippers, receivers and  
12 the carriers. Is that correct?

13 A. We state in item No. 3 that the League  
14 would welcome the opportunity to discuss with the rail-  
15 roads in more detail the suggestions we now make if we  
16 can be of help.

17 Q. And I can say this on behalf of Canadian  
18 Pacific that these matters will be followed up with  
19 your League because it is obvious that there are some  
20 areas in the discussion may very well prove beneficial.

21 Q. I am sure that there are equally as  
22 many areas in which the shippers can be of help with  
23 things that may be bothering the carriers.

24 MR. SINCLAIR: Thank you very much.

25 THE CHAIRMAN: Thank you, Mr. Sinclair.

26 Mr. Frawley.  
27  
28  
29  
30







1  
2 CROSS-EXAMINATION BY MR. FRAWLEY:

3 Q. Mr. Gracey, Mr. Sinclair was discussing  
4 market research or you were discussing market research  
5 with him and he was talking to you about cherries.  
6 Were you at the Ontario sittings?

7 A. Yes.

8 Q. Do you remember the witness from the  
9 Ontario Federation of Agriculture who told us he wanted  
10 a rate on grapes and he waited so long the grapes  
11 fermented and the whole season passed?

12 A. I must have had a lapse at that time.

13 Q. Do you not remember him telling how long  
14 he was getting a rate on grapes?

15 A. No, sir.

16 Q. Now, my friend was interested in unjust  
17 discrimination and he put to you if one trucker in the  
18 province of Ontario charged one rate to one shipper and  
19 another rate to another shipper for the same distance  
20 that that ---

21 MR. SINCLAIR: To the same market and competi-  
22 tion not existing.

23 MR. FRAWLEY: Q. That is it, to the same market,  
24 and competition not existing and ditto, ditto, whatever  
25 Mr. Sinclair said to you. Now, Mr. Gracey, Mr. Sinclair  
26 put it to you that would be a manifest case of unjust  
27 discrimination, did he not?  
28  
29  
30





1  
2 A. I believe it might have been along those  
3 lines.

4 Q. Can you tell me how there can be any  
5 unjust discrimination in rates on highway transport  
6 in the province of Ontario when there is no law of any  
7 kind regarding the nature of rates charged by truckers  
8 using the Queen's highway in Ontario?

9 A. I think I tried to explain that a little  
10 later.

11 Q. I put it to you that there is no such  
12 thing as unjust discrimination if a trucker in Ontario  
13 charges a different rate to each and every shipper  
14 so long as the people who govern the province of Ontario  
15 do not see fit to put rate regulation on highway trans-  
16 portation?

17 A. The rates would be unequal.

18 Q. Yes, unequal, but not unjustly discrimin-  
19 atory?

20 A. No, sir.

21 Q. Nor illegal, so long as we have a  
22 complete absence of rate regulation. But, I would put  
23 something else to you now, under the Railway Act: If  
24 you have a shipper who enjoys an agreed charge and is  
25 shipping to a market, and, shipping to the same market  
26 and the same distance is a shipper who does not enjoy  
27 an agreed charge, for reasons sufficient unto himself,  
28 and the latter shipper may be paying \$2.00 as against  
29 the other paying \$1.00, what kind of rate situation  
30 would you call that -- and that is under such rate  
regulations as we have federally for the railways?





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MR. SINCLAIR: I think Mr. Frawley would want to be fair and explain in that situation that shipper could either become a party to the agreed charge, if he lived within the conditions of the other signatory, or he could have a fixed charge, under the legislation, put in.

MR. FRAWLEY: I was not unaware of that at all, and I put it to the witness that, for reasons best known to himself, he did not enjoy an agreed charge. I am quite aware if he chose to subscribe to all of the conditions in the original agreed charge he could have what is called a fixed charge.

Q. I put the situation to you of a shipper who, for reasons sufficient unto himself in the management of his business, does not have an agreed charge and ships on an ordinary class or commodity rate, I put it to you that there is a case of manifest and patent inequality in a rate situation: Would you not agree?

A. It is inequality in the rate situation, and I think he has recourse in the Transport Act. I think he can appeal to the Board of Transport Commissioners if he feels it is unjust. I am not sure of the words. You know the item better than I do. However, there is recourse there if he feels any agreed charge is adversely affecting him.

Q. I put it to you the only redress he would have would be that he would be told to accept the conditions and sign, and if he could not accept those conditions because of the nature of his business, and







1  
2 therefore could not join in the agreed charge, he  
3 would have no redress?

4 A. Unfortunately, I cannot say what the  
5 Board of Transport Commissioners would state in a case  
6 like that.

7 Q. I simply put it to you, you are aware  
8 that a shipper who seeks to obtain the advantages of an  
9 agreed charge can do so even if not a party to the  
10 original agreed charge?

11 A. Exactly.

12 Q. And to do that he must comply with all  
13 the conditions present in the original agreed charge?

14 A. Yes, sir.

15 Q. If for some reason -- volume, the particular  
16 trade pattern he has, the particular distribution under  
17 which he is operating his business, or for any reasons  
18 there are -- he cannot -- well, it is not a matter of  
19 capricious choice; he is not able to sign up the  
20 agreed charge. He has to content himself with a rate  
21 inequality of the kind I have outlined to you; is that  
22 not so?

23 MR. SINCLAIR: If my friend wants to state  
24 what the law is in this regard, it would be much better  
25 to have it stated in the language of the law, which  
26 is in subsection 10 of section 32.

27 THE CHAIRMAN: What does it state?

28 MR. SINCLAIR: Perhaps I could read it:

29 "Any shipper who considers his business is or  
30 will be unjustly discriminated against by an  
agreed charge may at any time apply to the Board





1  
2 "for a charge to be fixed for the transport by the  
3 same carrier with which the agreed charge was made  
4 of goods of the shipper that are the same as or  
5 similar to, and are offered for carriage under sub-  
6 stantially similar circumstances and conditions as,  
7 the goods to which the agreed charge relates, and, if  
8 the Board is satisfied that the business of the  
9 shipper is or will be unjustly discriminated against  
10 by the agreed charge, it may fix a charge, including  
11 the conditions to be attached thereto, to be made  
12 by the carrier for the transport of such goods of  
13 the shipper, and may fix the day on which such  
14 charges shall be effective, not being earlier than  
15 the day on which the agreement for the agreed  
16 charge was made."

16 MR. FRAWLEY: With great respect, Mr. Chairman,  
17 that is not any different from what I said, in the  
18 one word that this shipper I am speaking of did not  
19 find it convenient, in the way he operated his business,  
20 to accept those conditions. My friend Mr. Sinclair  
21 knows -- and surely this is not the time to stop and  
22 have a discussion between Mr. Sinclair and myself of the  
23 many instances we have placed before the Royal Commission  
24 on Transportation along these very same lines -- not  
25 this Royal Commission, but one of slightly more ancient  
26 memory. We discussed the large and small shipper,  
27 and some small shippers could not accept the conditions  
28 which the large shipper was willing to accept. That is  
29 the kind of situation I am putting to the witness.

30 MR. SINCLAIR: All I say is, that matter was







1  
2 most thoroughly considered by a Royal Commission that was  
3 secured on the representations of certain people and  
4 counsel for the province of Alberta, and that Royal  
5 Commission did deal with the matter and it issued its  
6 report, and its recommendations, I think, were very  
7 largely carried out in the amendments to the Transport  
8 Act.

9 THE CHAIRMAN: Well, we will have Mr. Frawley's  
10 question.

11 MR. FRAWLEY: Yes, because every time  
12 Mr. Sinclair says that I had something to do with the  
13 bringing into being of that Royal Commission, I will  
14 say to my friend every time that that was a commission  
15 which the Premier of Alberta asked for -- he didn't  
16 ask for the commission at all; he asked for an amendment  
17 to the Railway Act to correct a manifest injustice, and  
18 then we have a royal commission, and what happened to  
19 the royal commission? I say, and I say it again, the  
20 railways ran away with the royal commission and brought  
21 people from England, and now we have an agreed charge  
22 system which has been taken out of the  
23 hands of the Board of Transport Commissioners.

24 THE CHAIRMAN: Well, we are not going to  
25 rehash that.

26 MR. SINCLAIR: The full record of that com-  
27 mission is available for this Commission to study.

28 THE CHAIRMAN: Ask your question, Mr. Frawley.

29 MR. FRAWLEY: Q. I put it to you, Mr. Gracey,  
30 that that situation, as I have outlined it to you,  
constitutes an inequality with respect to which that





1  
2 shipper that I am speaking of would have no recourse  
3 under the Railway Act? I put it to you, and are you  
4 able to challenge the correctness of my statement?

5 A. That may be so, Mr. Frawley, and I suppose  
6 the only recourse he would have is to change the  
7 Transport Act.

8 Q. That is right; we will have an amendment  
9 to the Transport Act. You find that shipper, and I will  
10 go along with him.

11 BY COMMISSIONER GOBEIL:

12 Q. Mr. Gracey, Mr. Hume and Mr. Frawley and  
13 Mr. Sinclair asked you a certain question on the private  
14 carriers' business, on page 2, on which I am still not  
15 clear. You told Mr. Frawley that your association did  
16 not have any objection, and it was none of your business,  
17 if Simpsons or any other large firm would use their  
18 own private carrier for the distribution of their goods?

19 A. Yes, sir, we feel it is their business.

20 Q. And yet, in the last sentence you say,  
21 "We are of the opinion that private carriage exerts  
22 a powerful regulatory force on the rates of the  
23 for-hire carriers."

24 If it exerts such a powerful regulatory force, a force  
25 cannot be powerful if it is not either bad or good: Do  
26 you mean the force they exert is a good regulatory force?

27 A. I think it is a good force because it  
28 prompts the for-hire carriers to develop the service  
29 standards and also to reassess their rate structures.

30 Q. Well, it is a good force then?







1  
2 A. It is a powerfully good force.

3 Q. In the sentence before that you say,  
4 "It has been realized that private transportation  
5 may seriously affect the for-hire carrier industry  
6 ....."

7 The "seriously" would be seriously good or seriously  
8 bad?

9 A. Seriously bad. They are losing, as I  
10 mentioned just before lunch -- I said, for the past year  
11 there has been an increase of over 8 million tons which  
12 has moved from some place to trucks. I do not know  
13 whether our whole pie has grown that much bigger and  
14 that that is the truckers' share of it -- and I mean  
15 private trucker and for-hire -- but, according to this  
16 record, the trucks of Canada in 1958 carried a total  
17 tonnage of 459 million tons of freight. This is a  
18 very substantial sum of traffic. Of that, the for-hire  
19 carriers carried 140 million tons of goods. Now, it  
20 is conceivable, sir, that, for instance, the farmers  
21 - they only carry 29 million tons of goods out of this  
22 whole 450 million; but, farmers are not a very large  
23 factor. I do not say the for-hire carriers could carry  
24 all the farmers' merchandise, because the farmer is  
25 going to town and coming back himself at the same time.  
26 But, these other areas in this tonnage, surely they  
27 could use it to help make themselves financially strong.  
28 If this area persists, it is going to make it more and  
29 more difficult: As I say, the competitive struggle  
30 becomes more intense. It is good in Canada that our  
whole pie is getting bigger, but if we ran into a







1  
2 recession, or something like that, or a tightening up  
3 of our economy, there would be terrific pressure for  
4 the railways and the trucks and the boats to get  
5 traffic. At the present time they don't seem to realize.

6 Q. The influence of private transportation --  
7 it would have a seriously bad effect on the industry,  
8 and then it would be a powerfully good regulatory force  
9 on the industry?

10 A. Yes, sir.

11 Q. On this much-discussed paragraph 11,  
12 Mr. Gracey, I understand that you might be perplexed  
13 about the word "inequities". May I take it your  
14 basic reasoning is that freight rates should be just and  
15 reasonable -- that is the way you start?

16 A. Yes, sir.

17 Q. And if someone has a freight rate which  
18 is sound and reasonable, it is none of his business if  
19 another group has a rate which is unequal for competitive  
20 purposes? The first one would still remain sound and  
21 reasonable?

22 A. That is right. There are other consider-  
23 ations that make one rate different from another.

24 Q. It would not be because the second one had  
25 different treatment that the first one would become  
26 unjust?

27 A. No, sir.

28 Q. As a matter of fact, it might be -- and  
29 it is necessary, probably, -- that there are some  
30 unequal rates to meet competitive activities of other  
forms of transportation?





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A. It is most necessary, say, in the city of Quebec, coming to Toronto. They have water routes. If the railways and trucks wish to compete with water--- and we know the certain advantages that water movement has -- you have got to establish competitive rates.

Q. I thought you told Mr. Sinclair that unequal rates were not necessary in transportation?

A. If I did, I was in error.

MR. SINCLAIR: I think he said they were necessary.

(Page 9820 follows)







1  
2 COMMISSIONER GOBEIL: They were necessary?

3 MR. SINCLAIR: Yes. Unless I misunderstood  
4 the answer, and if I did I would still be cross-examining.  
5 The question that is now raised I asked later.

6 COMMISSIONER GOBEIL: Q. The fact remains  
7 that even if the railways wanted to keep those rates  
8 equal, if there was competition they wouldn't do it?

9 A. If they get them they wouldn't moved any  
10 traffic.

11 Q. So they are forced to?

12 A. They are forced to do it.

13 Q. They are forced in one case by competition  
14 and in the other case, when you talk of grain, they are  
15 forced by either markets or they might be forced by  
16 geographic considerations or political considerations.  
17 In one case you would have unequal rates and in the other  
18 case you wouldn't because it is another factor than  
19 competition?

20 A. Yes, sir.

21 Q. And in the first case you would not want a  
22 subsidy, and in the second case you would want them to  
23 have a subsidy to meet those opposing factors?

24 A. I am not quite sure that I understand your  
25 question.

26 Q. If there is competition, with competition  
27 as a factor, then you have unequal rates, but then they  
28 should not have any subsidy?

29 A. No.

30 Q. But if there is another factor over which





1 there is no control, you say they should have subsidy?

2 A. The only time we can entertain subsidy is  
3 when it is definitely in the national interest.

4 Q. The only inequality you would consider  
5 would be on those rates which are statutory rates?

6 A. Well, sir, I think I tried to make it  
7 clear that we do not consider any rates inequities;  
8 there are no inequity rates in our view. There are  
9 unequal rates.

10 Q. Why do you say in paragraph 11 "For such  
11 inequities," and then you refer to articles of law which  
12 refer to the export of grain?

13 A. Which paragraph?

14 Q. Paragraph 11.

15 A. I think I state that there may be certain in-  
16 equalities in rates in the previous sentence. I said:

17 "In a country the size of Canada there is  
18 always the possibility of certain inequalities  
19 in rates. In our opinion some of these could  
20 be caused by statutory rates . . ."

21 If somebody considers it is an inequity and the League  
22 does not consider it ---

23 Q. You don't mean by this that they are  
24 automatically inequities. You mean if such inequities  
25 exist?

26 A. If a shipper thinks there is an inequity  
27 he has recourse with the Board of Transport Commissioners.

28 Q. You were speaking about subsidy on passenger  
29 traffic; you said you would not commend any because the  
30





1 railways are a managerial power. You were not recom-  
2 mending any subsidy there?

3 A. No, sir.

4 Q. But do you think that if a subsidy was  
5 given on grain the extra income, the extra money, might  
6 delay the action on the passenger deficit?

7 A. We hope that the railways will not just  
8 take that money and not do anything about the rest of  
9 their operations. We have stated in this brief that  
10 we believe the railway management is going to be aggres-  
11 sive, they have to be aggressive, aggressive in all of  
12 these areas that we have stated. If they get some  
13 sum of money from a subsidy, we don't want them to  
14 relax them.

15 Q. You mentioned to Mr. Sinclair that your  
16 Association did not advocate any change in the Railway  
17 Act?

18 A. No, sir.

19 Q. Yet in paragraph 14 ---

20 A. Well, I am sorry, you have pointed that  
21 out, sir. I should have claused my remark, and I  
22 am glad you have brought it to my attention.

23 Q. And that will not be the same thing in  
24 your last paragraph 37 when you say the Board of  
25 Transport Commissioners should make regular inquiry  
26 on freight rate subsidies?

27 A. I am not just sure where all of these  
28 freight rate subsidies are listed. I know that the  
29 Maritime Freight Rates Act is under the Board of Transport  
30







1 Commissioners, but personally I don't know where the  
2 Feed Grain Act is published. So I do not know whether  
3 it comes under the Railway Act or not.  
4

5 Q. My impression was that the Board of  
6 Transport Commissioners would not touch anything to do  
7 with subsidy. I may be wrong.

8 THE CHAIRMAN: We will have a five-minute  
9 adjournment.

10 ---Short recess.

11  
12 BY COMMISSIONER MANN:

13 Q. Mr. Gracey, we are deeply grateful to the  
14 Traffic League for coming before this Commission with a  
15 cross-section of traffic personnel across Canada, and  
16 I think it is also very fortunate to this Commission  
17 that a man of your stature has been called to present  
18 this brief.

19 You have given us a little bit about your  
20 background. You told us when you started with the  
21 Traffic League; you also said in response to a question  
22 by Mr. Sinclair that you had practical traffic management  
23 experience in a grain handling company, and you also  
24 indicated earlier when you gave us a summary of the  
25 educational activities of the Traffic League that you  
26 yourself were a student in transport management and  
27 economics. Some of my questions may draw on your  
28 background.

29 I think you have mentioned several times in  
30 your cross-examination that the Traffic League does not





1 think there is anything wrong with inequality in rates  
2 as such?

3 A. Yes, sir.

4 Q. If you have two companies trading into  
5 a common market and one company, say, because of com-  
6 petitive conditions, gets a better rate than the other  
7 company, as a practical traffic manager of the second  
8 company would you direct all your efforts towards  
9 restoring the equality that existed before the rate  
10 of the first company was changed?

11 A. Yes, sir.

12 Q. In other words, you would strive for  
13 equality?

14 A. Or better.

15 Q. But you would settle for equality because  
16 what matters is not the rate itself but the establishment  
17 of your rate to the competitive market?

18 A. Plus service. I can't just talk rates  
19 because you know with your extensive knowledge that  
20 service factors are a very large consideration to  
21 industrial shippers.

22 Q. Let us say that the service factors are  
23 equal and all that has changed is the rate. You would  
24 try your very best to restore conditions of equality that  
25 prevailed before the change was made?

26 A. Yes.

27 Q. And you would be better able to do so if  
28 your bargaining position with the carrier -- I am not  
29 talking about the railways alone -- was strong?  
30







1 A. Yes.

2 Q. Now, suppose your bargaining position  
3 was not strong, would your chances of restoring that  
4 equality be as good?

5 A. It would not appear to be so.

6 Q. But equality is what you want?

7 A. That is what we would strive for.

8 Q. There is a view that subsidies perhaps  
9 may be expressed in this way, that a subsidy is given  
10 in order to restore equality. If that view is correct,  
11 and only on the assumption that it is correct, is there  
12 anything wrong with people wanting subsidies in order  
13 to restore equality, bearing in mind that you told me  
14 that equality is a desirable thing?

15 A. I know of one subsidy that was based on  
16 the premise, I believe, largely based on the premise  
17 of restoring equality in a certain trading market.  
18 Our Association has never objected to that subsidy.

19 Q. That is quite all right. Let us just  
20 try and keep this on a general level; we can particularize  
21 later.

22 A. I do not know many other subsidies. I  
23 only know of one which fits this general description.  
24 Are you talking about the coal subventions, for instance?

25 Q. One idea behind that is to make certain  
26 coal competitive with other coal?

27 A. Yes.

28 Q. In other words, to create a condition of  
29 equality?  
30





1  
2 A. I don't think that any subsidies --  
3 I can't generalize, because the bridge rate subsidy  
4 I do not believe was based on that premise; I believe it  
5 was for the benefit of the railways to maintain their  
6 track.

7 Q. Let us forget about the individual subsidies.  
8 You have agreed, I think, that -- I have put to you the  
9 proposition that a subsidy may in some cases be designed  
10 to restore conditions of equality, and you told me that  
11 equality was what your practical traffic managers pointed  
12 out as a desirable thing?

13 A. Yes.

14 Q. Would you then say that subsidies designed  
15 to restore or maintain equality are ipso facto bad or  
16 good, or what are they? Is there anything wrong with  
17 a subsidy that tries to achieve that goal?

18 A. We have no statement of policy on it.

19 Q. I suppose the reason that the League is  
20 suggesting that if it were found that Crow rates were  
21 non-compensatory - the difference between the compen-  
22 satory rate and the rate presently charged - is because  
23 the League feels that the movement of grain to export  
24 positions is in the national interest?

25 A. Yes, sir.

26  
27 (Page 9830 follows)  
28  
29  
30





1  
2 Q. Apart from the question of national  
3 interest, the League would not be concerned if the  
4 increase in Crow's Nest rates not taken up by a sub-  
5 vention created inequalities?

6 A. I do not think we have considered that  
7 factor.

8 Q. You must have, I suppose, because you  
9 say that inequalities are not bad as such?

10 A. Yes.

11 Q. So therefore you would not be concerned,  
12 other than with regard to the national interest?

13 A. Yes, it is the national interest.

14 Q. Now, you have discussed with some of  
15 counsel here your suggestion that rates may be based  
16 on the weight, bulk and distance moved rather than  
17 the type of lading.. In other words, you want "all  
18 freight" rates -- this is a desirable thing. You have  
19 tied it of course in your brief to rates for rigid  
20 and collapsible container movements. If the principle  
21 is good there, it is probably good, is it not,  
22 Mr. Gracey, because it would encourage movement of  
23 commodities?

24 A. Mr. Mann, we are not sponsoring this.  
25 We are not sponsoring the idea that container rates,  
26 or the movement in containers is good. We are suggest-  
27 ing that the railways may consider this.

28 Q. Do you think it is desirable?

29 A. We think it will be coming. We have  
30 not stated whether it is desirable or not.

Q. If it were undesirable, would you not have







1  
2 suggested it?

3 A. Not very likely.

4 Q. In other words, you think it is desirable?

5 A. Yes, it is desirable in many instances.

6 Q. If it is desirable to move in containers,  
7 I suppose, the ideal way to move commodities in this  
8 country wherever possible would be some sort of rate  
9 structure based on the loadability of the commodity?

10 A. That is right, sir.

11 Q. Not adhere at all to the value of the  
12 commodities concerned?

13 A. It is leaning that way.

14 Q. You think that is inevitable and you say  
15 it is desirable?

16 A. We think it is coming.

17 Q. But you think it is desirable?

18 A. We think it is desirable because there  
19 will be certain economies that may be beneficial to all  
20 carriers because of limitation of time taken in loading  
21 and unloading, and therefore we feel that some of  
22 those savings will be passed on to the shippers.

23 Q. What you are advocating there -- and this  
24 may be an over-simplification -- is a cost of service  
25 theory.

26 A. It is tending towards that.

27 Q. It is that, isn't it? It is not just  
28 tending --

29 A. No, there are service factors involved,  
30 such as the return of the containers, collapsible  
containers, and things like that, that have to be





1  
2 accounted for. There are service factors involved.

3 Q. Other than that, this would be strictly  
4 a cost of service theory?

5 A. It would be going towards that.

6 Q. Would that not make it possible for the  
7 railways to charge more for one commodity in order to be  
8 able to transport another commodity which at the full  
9 cost of service would perhaps not move?

10 A. I think that is the case now with the  
11 for-hire carriers.

12 Q. I think it is the case with the freight  
13 classification, isn't it?

14 A. Yes.

15 Q. This freight was referred to as differential  
16 pricing?

17 A. Yes.

18 Q. If you eliminate value of service as a  
19 factor, do you foresee a reduction in the rates on  
20 higher value commodities?

21 A. Mr. Mann, I have tried to state that we  
22 would not abandon the value of service factor in a  
23 rate.

24 Q. I understand that, Mr. Gracey.

25 A. And I am not in a position to go any  
26 further than that.

27 Q. Well, I thought you would be of some  
28 assistance to us on that, because this is a matter that  
29 will undoubtedly preoccupy this Commission, but I  
30 think we will get this probably from a common-sense  
point of view as well. You know that the Canadian







1  
2 freight classification right now has differential  
3 ratings on various commodities?

4 A. Yes, sir.

5 Q. And that a class 100 rating carries --  
6 class ratewise, now -- a higher rate than, say, grain,  
7 with which you are fully familiar, at class 30?

8 A. Yes, sir.

9 Q. And that perhaps the lower ratings are  
10 possible because of cross-subsidization or internal  
11 subsidization which the railways can practise because  
12 of the higher rated commodities. I think that is obvious,  
13 isn't it?

14 A. That is true, and there are other factors,  
15 regarding grain, for instance, such as the massive  
16 volumes, as compared with class 100 goods.

17 Q. Let us say aircraft frames, which move,  
18 I think, at double, or class 200, whatever it may be.

19 A. There are many factors, as you know very  
20 well, Mr. Mann. You cannot isolate one and say this is  
21 the key factor.

22 Q. No, I am just giving you an example  
23 illustrative of the general situation. I am not pointing  
24 to a particular commodity. It is the principle of the  
25 higher rated commodities, the more valuable commodities,  
26 carrying the lower rated commodities to some extent?

27 A. Yes, sir.

28 Q. If you had everything move at the cost  
29 that is ascribable to the service, then would it be  
30 possible that certain lower valued commodities, shall  
we say, mining products -- and you were in Toronto when





1  
2 the Metal and Mining Association appeared before us ---  
3 might have to bear a higher rate? That would be a  
4 possibility, would it not, in the normal course of  
5 events?

6 A. This premise has been stated in numerous  
7 rate cases before the Board of Transport Commissioners,  
8 and it seems to be an accepted statement of fact at the  
9 present time.

10 Q. You do not quarrel with it at all?

11 A. No.

12 Q. You agree with this?

13 A. We have no quarrel with it.

14 Q. If that is where you want to stay, that  
15 is fine.

16 MR. SINCLAIR: Before you leave that,  
17 Mr. Mann, may I say this? You were dealing with  
18 paragraph 13 on page 4, when Commissioner Mann was  
19 asking these questions. I took that to deal with  
20 "less-than-carload" shipments or, say, the first three  
21 classes in the classification as what he had in mind  
22 in dealing with these "all-freight" rates.

23 THE WITNESS: No.

24 MR. SINCLAIR: He has in here:

25 "'Less-than-carload' or 'small shipments' back to the  
26 rails by the provision of 'all-freight' rates..."  
27 and matters of that kind. That is the paragraph, as I  
28 understood it.

29 COMMISSIONER MANN: That was not what I was  
30 discussing with the witness but the sentence a little  
earlier. I took the liberty of widening up the narrow





1  
2 statement into a principle, and the witness agreed  
3 with the principle. The other one referred to the  
4 class 45 rates to western Canada.

5 Q. Mr. Gracey, in your discussions with  
6 Mr. Hume you said that competition between truckers  
7 produces better service to your members. You pointed  
8 to competition as the factor which brought this about,  
9 and presumably you would want to couple with that the  
10 competition not only between truckers -- to narrow this  
11 down -- the competition not only produces better  
12 services but also gives your members the best rate  
going?

13 A. Yes, sir.

14 Q. You agreed with Mr. Hume that that is  
15 good. If that is good, is there any objection to  
16 competition between the railways in Canada and,  
17 attendant upon that, I suppose, would be the abolition  
18 of the publication of the agency tariffs, and you  
know what I am referring to, of course?

19 A. Mr. Mann, we have not considered that  
20 matter as a League.

21 Q. You are happy to have competition between  
22 truckers and you have thought about that?

23 A. Yes, sir.

24 Q. And you think that is good?

25 A. That is right, sir.

26 Q. But you have been concerned, of course,  
27 Mr. Gracey, and that is why your organization has taken  
28 the very much appreciated trouble of appearing before us  
29 -- you have concerned yourselves about the railways?  
30







1  
2 A. Yes, sir.

3 Q. But you have not thought about this  
4 at all?

5 A. No, sir.

6 Q. In other words, the principle of com-  
7 petition that you are advocating applies only to trucks?

8 A. At the present time, sir.

9 Q. Can you foresee a time when it might  
10 apply to railways -- when you say "at the present time"?

11 A. The League may take this matter under  
12 consideration in the future.

13 Q. Good.

14 In paragraph 20, Mr. Gracey, you point out:  
15 "The railways maintain many special services and  
16 arrangements that they provide at a cost for their  
17 patrons."

18 I hope Mr. Sinclair will forgive me if I am  
19 more familiar with the Canadian National general arrange-  
20 ments tariffs by name. We are both familiar with the  
21 C. N. R. tariffs, C. R. 200, which is the general  
22 arrangement tariff.

23 A. Yes, sir.

24 Q. Would you say that is an easy tariff  
25 to read?

26 A. When I first saw it, when I was introduced  
27 to the traffic in my office, the tariff looked a  
28 formidable document, but it was not very long before  
29 I was able to find my way about this document.

30 Q. Because you were doing full-time traffic  
work?





1  
2 A. Yes.

3 Q. In the traffic department of a large  
4 company?

5 A. That is right, and being trained by a  
6 very eminent gentleman.

7 Q. I certainly agree with you on that. But  
8 if the tariffs of the railways were simpler, so that  
9 anybody -- and we have heard complaints from some  
10 interests that tariffs are too abstruse -- if the tariffs  
11 of the railways were simpler, would you think then that  
12 these many special services and arrangements that the  
13 railways provide at cost to the patrons would become  
14 more obvious to them?

15 A. There is a virtue to C.R. 200 and E-30-50,  
16 that they are all in one package. If we tried to  
17 simplify it, if we tried to pull out those items dealing  
18 with stop-offs and made it a stop-off arrangements  
19 tariff, you would have such a multiplication of items  
20 that you could presumably overlook one. I know that  
21 when I was acting in an industrial capacity we sometimes  
22 used to just look through these and see what the other  
23 people were doing, as we filed the supplements, and  
24 we found it most stimulating to our industrial traffic  
25 management minds to see what other people were doing.  
26 As a subscriber to a general tariff we found this is  
27 beneficial. If I were in this industry just dealing  
28 with grain and items of that interest, I might not  
29 see what people were doing in the coal industry,  
30 which might be allied to our own. Therefore, personally  
--- and I am not supposed to speak personally, but my







1  
2 personal view would be that those tariffs in their  
3 present form, to me personally would be satisfactory.

4 Q. You do not think there is anything in  
5 the suggestion that tariffs should be simplified in  
6 Canada?

7 A. Mr. Mann, in your previous employment  
8 you have had some consideration of this. We have  
9 simplified the Canadian car demurrage rules that I  
10 mentioned earlier, and I think that is an eight-page  
11 tariff. That is a simplified tariff as compared with  
12 the United States tariff, which is that thick,  
13 dealing with the same subject. Yet even our simplified  
14 tariff --

15 MR. SINCLAIR: "That thick" does not go in  
16 the record. The witness is indicating --

17 THE WITNESS: About an inch. The League has  
18 had no suggestion recently, Mr. Mann, regarding  
19 simplification of railway tariffs.

20 COMMISSIONER MANN: Q. Mr. Gracey, in paragraph  
21 19 you say-- and I suppose that this is in the nature  
22 of a heading:

23 "Work with other railways to reduce duplications  
24 wherever practical and in the public interest."

25 That, I suppose, means that there could be  
26 duplication that is in the public interest?

27 A. Yes, sir.

28 (Page 9840 follows)

29

30





1  
2 Q. And if there is duplication not in the  
3 public interest what happens?

4 A. We have suggested that the railways study  
5 these matters and take recourse which is available to  
6 them to eliminate such duplication.

7 Q. And if the railways cannot agree that a  
8 course of action should be taken to avoid duplication  
9 which is against public interest, what happens then?  
10 Bear in mind, Mr. Gracey, that the public interest is  
11 a third party.

12 A. Yes, sir, I believe that in a case such  
13 as you mention that if the League wished to take action  
14 under this Act which we have mentioned before, the  
15 Canadian National-Canadian Pacific Act, we could appeal  
16 to the Board of Transport Commissioners and they would  
17 arbitrate the case.

18 Q. Have you had an opportunity -- I am sorry  
19 I have not since yesterday -- to look up the provisions  
20 of the Transport Act with regard to the powers of the  
21 Board, the powers of arbitration of the Board? I  
22 wonder, Mr. Gracey, whether the arbitration powers of  
23 the Board only were confined to matters of labour and  
24 employment or labour displacement arising out of con-  
25 solidation?

26 A. Mr. Mann, unfortunately I am not familiar  
27 enough with the Act to answer that.

28 Q. We can check that.

29 MR. SINCLAIR: Paragraph 3.

30 COMMISSIONER MANN: Q. We will look it up.





1 In trying to summarize what you have given the Commission,  
2 would it be right to say that the Traffic League be-  
3 lieves that there are no difficulties in transportation  
4 today . . .

5 A. Outside of one.

6 Q. If you will forgive me, I will finish that  
7 . . . which cannot be solved by the ability of carrier  
8 management. That is No. 1. No. 2, that the League  
9 believes in subsidies if necessary, but not necessarily  
10 subsidies, and I think the third one that arises out of  
11 your evidence that education of traffic management per-  
12 sonnel will also be very helpful in bringing about an  
13 ideal transportation environment. Have I summarized  
14 it adequately?

15 A. You are to be commended, Mr. Mann, for your  
16 summation. However, I would like you to add paragraphs  
17 14 and 17, the two recommendations that we make to this  
18 Royal Commission. Nos. 14, 15 and 37.

19 Q. No. 14 I have covered, the subsidies if  
20 necessary but not necessarily subsidies. What was the  
21 other one?

22 A. Well, we have the ---

23 Q. No. 15 is the same thing?

24 A. And 37.

25 Q. 37, I suppose, comes under subsidies too.

26 A. I hope so. Thank you very much, Mr.  
27 Mann.

28 COMMISSIONER PLATT: Mr. Gracey, in your  
29 varied experience have you been active in the Junior Board  
30







1 of Trade work?

2 THE WITNESS: Yes, sir.

3 COMMISSIONER PLATT: Those are all the ques-  
4 tions.

5  
6 BY THE CHAIRMAN:

7 Q. Mr. Gracey, you refer in paragraph 11  
8 to the remedy under Section 328, subsection 5, of the  
9 Railway Act. That would, of course, not apply in the  
10 case of rail rates?

11 A. No, it does not.

12 Q. As you were giving evidence today I was  
13 reminded of another Mr. Gracey who was many times in  
14 that witness box. I do not know if he is any relation  
15 to you or not.

16 A. No, sir.

17 THE CHAIRMAN: Thank you very much, Mr. Gracey,  
18 and the League, for coming here, and we wish you well  
19 in your work.

20 MR. GRACEY: Thank you very much.  
21  
22  
23  
24  
25  
26  
27  
28  
29  
30





SUBMISSION OF  
THE CANADIAN MANUFACTURERS' ASSOCIATION

Appearances:

Mr. George Paul                      Chairman, Transportation  
   Committee

Mr. A. R. Treloar                      Manager, Transportation  
   Department

- - - - -

MR. PAUL:    May I say before starting on the  
brief that we appreciate the opportunity of placing our  
views before your Commission?

THE CHAIRMAN:    We are glad to have you here,  
Mr. Paul.

MR. PAUL:    The Canadian Manufacturers'  
Association is an organization of manufacturers who are  
joined together to consider and take action on their  
common problems.    The Association has some 6500 members  
situated in over 600 cities, towns and villages, from the  
Atlantic to the Pacific, many of whom are substantial  
users of rail and other forms of transportation.

The views hereinafter expressed are made after  
careful consideration of the terms of reference contained  
in Order in Council P. C. 1959-577 instituting the  
inquiry being conducted by your Commission, and have  
been recommended by the Association's Transportation  
Committee and approved by its Executive Council.

General Observations:    Profound changes have  
taken place in Canada's transportation industry during  
the past thirty-odd years which have witnessed its







1 transition from a virtual monopoly by rail transport to  
2 an intensely competitive industry affording alternative  
3 services in many instances via rail, highway, water, air  
4 and pipeline. During this period, and particularly  
5 during the post World War II era, there has been an  
6 expansion of highway construction which has made  
7 available some 240,000 miles of surfaced highways, as well  
8 as the laying of some 7,000 miles of petroleum pipelines  
9 and a similar mileage of gas pipelines. The recent  
10 completion of the St. Lawrence Seaway is expected to  
11 stimulate water transportation. All of these  
12 facilities will tend to strengthen the traditional lines  
13 of communication linking together the various regions  
14 making up the Canadian nation.

15  
16 While during this period railroading has ex-  
17 perienceed a remarkable transformation as a result of  
18 technological developments, highway transportation has  
19 succeeded in attracting a substantial volume of available  
20 traffic, particularly that of a more lucrative character,  
21 and the railways' share of the total movement of inter-  
22 city tonnage has progressively declined. The rail  
23 carriers have attempted to meet this challenge by the in-  
24 troduction of new services and the establishment of com-  
25 petitive rates of one form or another, so that at pre-  
26 sent approximately only 50 per cent of the total  
27 domestic all-rail tonnage is carried at so-called  
28 "normal" rates.

29 Our transportation system is regarded by the  
30 users of such services as a vital segment of the





1 nation's productivity line and its efficiency or in-  
2 efficiency affects the well-being of business of the  
3 country as a whole. Canada's geographical characteris-  
4 tics and the substantial distances that in many instances  
5 separate its various regions and districts from markets,  
6 make it imperative that our transportation system be  
7 singularly efficient. It is our view that healthy  
8 competition between the various media of transportation  
9 affords the most effective means of accomplishing this.  
10 It is submitted, therefore, that to facilitate ex-  
11 perimentation by the railways with new services and  
12 pricing practices in adjusting themselves to this  
13 competitive environment, restrictions on rates and  
14 services of the carriers should be imposed only to  
15 the degree necessary to protect elements of the com-  
16 munity, including the carriers, against unjust discrimi-  
17 nation or unreasonable treatment.

18  
19 National Transportation Policy: It is  
20 respectfully submitted that many of the problems of the  
21 railways cannot be dealt with adequately in isolation  
22 or without recognition of the impact of other forms  
23 of transportation on our economy. We regard it as  
24 necessary in the public interest, therefore, that our  
25 transportation system -- rail, water, highway, air and  
26 pipeline -- be considered as a whole and a national  
27 transportation policy enunciated which will afford equi-  
28 table treatment to these respective segments and  
29 foster and preserve an overall transportation system  
30 adequate to meet the needs of commerce and the nation.







1  
2           Subsidies:   This Association is not asserting  
3 any general position for or against subsidies per se.  
4 The opinion is put forward, however, that freight rates  
5 would appear to afford an inefficient vehicle for dis-  
6 tributing economic assistance to those whom it is  
7 deemed to be in the national interest to subsidize,  
8 and should be utilized only where no other measure of  
9 assistance is available or more direct methods would  
10 give rise to administrative complexities. It is  
11 conceivable that when some of the existing transportation  
12 subsidies were introduced, rail transportation repre-  
13 sented a semi-monopoly service and freight rates  
14 were correctly considered to be the most appropriate  
15 and convenient means of distributing such economic aid.  
16 However, owing to subsequent changes in the transpor-  
17 tation situation, a reorientation of existing methods  
18 of rendering justifiable assistance may prove more  
19 effective and in keeping with the purpose intended.  
20 It is recommended, therefore, that the Commission under-  
21 take to examine the various subsidies at present  
22 authorized which are distributed through the medium of  
23 freight rates to determine whether they are fulfilling  
24 their original purpose or if under existing conditions  
25 some more efficient method of achieving the same  
26 objective is practicable. It is further recommended  
27 that in cases where assistance is deemed advisable that  
28 it be subject to review at least every five years to  
29 determine whether changed conditions and circumstances  
30 may dictate justifiable amendments. In this







1 recommendation it is not implicit that such an investi-  
2 gation be necessarily made by a Royal Commission because  
3 of the time element. The proposal contemplates that the  
4 mechanism be sufficiently flexible to effect any changes  
5 subject to adequate notice.

6  
7 Statutory Grain Rates: Any consideration of  
8 the problem relating to rail transportation in Canada,  
9 and particularly the obligations and limitations imposed  
10 upon railways by law for reasons of public policy, would  
11 not be complete without a detailed examination of the  
12 statutory rates imposed on the railways for the movement  
13 of grain and flour under the provisions of Section 328(6)  
14 of the Railway Act and the related export rates on these  
15 commodities required to be published to Canadian Pacific  
16 ports and Churchill on Hudson's Bay by direction of the  
17 Board of Transport Commissioners or in compliance with  
18 provisions of the Act.

19 The history of these rates is fully set forth  
20 in the report of the Royal Commission on Transportation  
21 which reported on February 9, 1951, (page 238 et seq.) and is  
22 is therefore not repeated here. We would also point  
23 out that the matter of the serious distortion in the  
24 freight rate structure and the impact of these statutory  
25 and related rates on the performance of the Board's duty  
26 to maintain just and reasonable freight rates is outlined  
27 in the separate expression of views written by Commis-  
28 sioner Chase in the Board of Transport Commissioners  
29 interim Judgment dealing with the last application by the  
30 Railway Association of Canada for a general increase in





1 freight rates (reported in Volume XLVIII, J.O.R. & R.  
2 pamphlet 16-A, p. 32 et seq.). These statutory rates  
3 which are still on the level prevailing in the year  
4 1899 and apply on traffic which, in the case of the  
5 Canadian Pacific Railway, represents from 25 to 30 per  
6 cent of the annual revenue ton miles performed in  
7 freight service, create what is referred to as the  
8 biggest distortion in the present freight rate structure.  
9 We submit it is of primary importance that there should  
10 be a thorough investigation of this matter to resolve  
11 whether the level of these statutory rates is compen-  
12 satory. Also to determine whether, in the competitive  
13 atmosphere in which the railways operate today, it is  
14 in the public interest to perpetuate any distortion  
15 which may be deemed to exist in the prevailing freight  
16 rate structure attributable to the exemption enjoyed by  
17 traffic moving under these statutory rates from sharing  
18 in the successive general increases in freight rates  
19 authorized in the post World War II era. This con-  
20 dition results in exposing more and more of what has been  
21 regarded as railway non-competitive lower grade traffic  
22 to competition from competing forms of transportation  
23 and impairs the railways' ability to meet such competi-  
24 tion.  
25

26 Railway Passenger Services: The competition  
27 of private motor cars, buses and airlines has made  
28 grave inroads into the passenger traffic handled by  
29 railways and earnings from such services over the years  
30 have shown a distinctly downward trend. As stated in







1 the Board of Transport Commissioners' Judgment author-  
2 izing the first post World War II general increase in  
3 freight rates, the railways' passenger service shows  
4 consistent deficits except for those periods of national  
5 emergency such as the last Great War when a heavy  
6 movement of passengers and troops via rail has occurred  
7 (Volume XXXVIII, J.O.R. & R. Pamphlet 1-A, page 41).  
8 The loss on passenger business of the Canadian National  
9 Railways in 1958 has been stated by the President of  
10 that railway to have been \$89,000,000 calculated on  
11 the formula used by the Interstate Commerce Commission,  
12 and on the basis of the Canadian National Railways  
13 own analysis, which includes the bare out of pocket  
14 expenses, is estimated to amount to about \$38,000,000  
15 (Proceedings and Evidence No. 1 of the House of  
16 Commons Sessional Committee on Railways, Airlines and  
17 Shipping Owned and Controlled by the Government,  
18 May 4-5, 1959, page 80).

19  
20 As set out in the Judgment of the Board referred  
21 to above, the regulative bodies both in Canada and the  
22 United States have held that such revenue deficits  
23 incurred by the passenger service must be compensated  
24 for by earnings on the freight service, and that the  
25 freight service may be required to bear an increase in  
26 rates to offset the deficiency in the aggregate  
27 earnings attributable to the inability of the passenger  
28 service to contribute its full share of the burden.

29 The problem of the railroad passenger train  
30 deficit has received more attention in the United States





1 than it has in Canada and was recently the subject of  
2 a proceeding before the Interstate Commerce Commission  
3 in its Docket No. 31954, in which the Commission's  
4 decision was released on May 25, 1959. Pointed up in  
5 its conclusions is the fact that the financial loss  
6 on the passenger service is real; it is large and  
7 appears to be growing, and it endangers the future  
8 welfare of the railroad industry. It stresses the  
9 need of further action by the railroads in developing  
10 on an industry-wide basis, policies and plans for  
11 reconstituting the railroad passenger service into a  
12 less extensive network more closely tailored to the  
13 needs of the public. It also commends for inclusion  
14 in an investigation by a Committee of Congress the  
15 following areas of inquiry:  
16

- 17 1) An exploration of labor-management relations,  
18 including a review and revision of working  
19 rules for labour employees. Consistent  
20 with our recommendation to the Congress in  
21 March 1958, we believe that the investiga-  
22 tion should not be limited to the narrow  
23 issues of the working rules but should cover  
24 other phases of labor-management relations.
- 25 2) An exploration of those public expenditures  
26 which operate to the disadvantage of the  
27 railroads. We adhere to the principle  
28 previously expressed, that this country's  
29 several forms of transportation should be  
30 treated equitably and that no one form should





1  
2 be preferred.

3 If the 1958 loss on passenger service opera-  
4 tions revealed by the President of the Canadian National  
5 Railways substantially reflects the conditions being  
6 experienced by other railways in Canada, it would appear  
7 important that this matter of passenger deficits should  
8 receive parallel consideration and study by the railways  
9 and government at various levels in this country, with  
10 a view to seeking a remedy. It might well be that  
11 the provisions of the Canadian National-Canadian Pacific  
12 Act (Chapter 39, R.S.C. 1952) should be more liberally  
13 invoked by our two transcontinental railways to promote  
14 cooperative measures to effect economies in the per-  
15 formance of needed passenger services.

16 It is respectfully submitted that the Commis-  
17 sion should recommend that the Board of Transport Com-  
18 missioners be directed to prescribe a formula to govern  
19 the separation of freight and passenger expenses in  
20 order that information may be available on a current  
21 basis as to what contribution the freight service is  
22 required to bear in maintaining passenger service. It  
23 is further recommended that the freight rate structure  
24 should not be burdened with these passenger deficits.

25 Extent to which Railway Act should specify  
26 what assets and earnings of railway companies in  
27 businesses and investments other than railway should  
28 be taken into account in establishing freight rates:

29 This matter of "Other Income" i.e., income  
30 which is produced by capital investments made by railway







1 companies in enterprises or investments other than  
2 railway transportation service, has been in issue  
3 in a number of rate cases dealt with by the Board of  
4 Transport Commissioners and a summary of the views ex-  
5 pressed by that body in its various Judgments is set out  
6 in its Judgment dated March 30, 1948 (Volume XXXVIII  
7 J. O. R. & R. Pamphlet 1-A, page 19, et seq.). In  
8 none of the cases was any effect given to the contention  
9 that such Other Income should be taken into account  
10 in determining just and reasonable rates for transporta-  
11 tion services. Usually a rate prescribed as just and  
12 reasonable for one railway must be adopted by competing  
13 railways. A rate level fixed as just and reasonable  
14 for one company after taking into account a substantial  
15 income from other than railway investments, might well  
16 be confiscatory for another carrier which did not  
17 enjoy the receipt of "Other Income". Furthermore,  
18 if income from such outside activities were taken into  
19 account in determining just and reasonable rail rates,  
20 the losses experienced in connection with such outside  
21 activities would, consistently, also have to be taken  
22 into account, which might justify higher rail rates than  
23 otherwise could be sustained. It is submitted that the  
24 position taken in the past by the Board of Transport  
25 Commissioners with regard to this question would appear  
26 to be the most fair one yet devised, for all concerned.

28 THE CHAIRMAN: We will adjourn now until ten  
29 o'clock tomorrow morning.

30 ---Adjournment.





NOTE:

On the 10th of February, 1960, Mr. F. W. Anderson, Secretary of the Commission, was advised by Mr. C. La Ferle that his organization, the Canadian Retail Federation, in principle desires to vouch its concurrence in the submission of The Canadian Manufacturers' Association.

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